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PUBLICATION OF OFFERING CIRCULAR

JUNFENG INTERNATIONAL CO., LTD

君豐國際有限公司

(incorporated with limited liability in the British Virgin Islands)

U.S.\$250,000,000 2.20 per cent. Guaranteed Bonds due 2024 (the “Bonds”)
(Stock Code: 40958)

Unconditionally and irrevocably guaranteed by



国丰集团

GUOFENG GROUP

YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.

(煙臺國豐投資控股集團有限公司)

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Guotai Junan International

Haitong International

Zhongtai International

Joint Lead Managers and Joint Bookrunners

**Hua Xia Bank Co., Limited
Hong Kong Branch**

Chiyu Banking Corporation Limited

CNCB Capital

CMBC Capital

**CMB Wing Lung Bank
Limited**

**China Minsheng Banking Corp., Ltd.,
Hong Kong Branch**

SPDB International

ABC International

Shenwan Hongyuan (H.K.)

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of the listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 9 December 2021, the Bonds as described in the offering circular dated 6 December 2021 (the “**Offering Circular**”) (appended herewith) are issued to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the “**Professional Investors**”) only.

Notice to Hong Kong Investors: Junfeng International Co., Ltd 君豐國際有限公司 (the “**Issuer**”) and Yantai Guofeng Investment Holdings Group Co., Ltd. (煙臺國豐投資控股集團有限公司) (the “**Guarantor**”) confirm that the Bonds are intended for purchase by Professional Investors only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

Hong Kong, 10 December 2021

As at the date of this announcement, the sole director of Junfeng International Co., Ltd is Mr. SUI Shengqiang.

As at the date of this announcement, directors of Yantai Guofeng Investment Holdings Group Co., Ltd. are Mr. RONG Feng, Ms. CHEN Dianxin and Mr. QI Guishan.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY 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, from time to time, each time you receive any information as a result of such access.

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

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES DESCRIBED HEREIN 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 OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer (as defined in the Offering Circular) has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds (as defined herein) 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).

The Offering Circular is not a prospectus for the purposes of the European Union’s Prospectus Regulation (Regulation EU 2017/1129) (and any amendments thereto) as implemented in member states of the European Economic Area (which, for these purposes, include the United Kingdom).

The communication of the Offering Circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities described in the Offering Circular are only available to, and any investment or investment activity to which the Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the Offering Circular or any of its contents.

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

Confirmation of Your Representation:

In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities described herein, investors must comply with the following provisions. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor and the Managers (each as defined in the Offering Circular) that (1) you and any customer you represent are not, and that the electronic mail address that you gave and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described herein, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Guarantor or the Managers.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or a solicitation by or on behalf of any of the Issuer, the Guarantor or the Managers to subscribe or purchase any of the securities described herein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Manager or any affiliate of any Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

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OFFERING CIRCULAR

STRICTLY CONFIDENTIAL

JUNFENG INTERNATIONAL CO., LTD
君豐國際有限公司

(incorporated with limited liability in the British Virgin Islands)
U.S.\$250,000,000 2.20 per cent. Guaranteed Bonds due 2024
Unconditionally and Irrevocably Guaranteed by



国丰集团
GUOFENG GROUP

YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
(煙臺國豐投資控股集團有限公司)

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

Issue Price: 100.00 per cent.

The 2.20 per cent. guaranteed bonds in the aggregate principal amount of U.S.\$250,000,000 due 2024 (the “**Bonds**”) will be issued by Junfeng International Co., Ltd. 君豐國際有限公司 (the “**Issuer**”) and will be unconditionally and irrevocably guaranteed by Yantai Guofeng Investment Holdings Group Co., Ltd. (煙臺國豐投資控股集團有限公司) (the “**Guarantor**”), a company incorporated under the laws of the PRC (as defined herein) with limited liability. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including 9 December 2021 (the “**Issue Date**”) at the rate of 2.20 per cent. per annum and such interest will be payable semi-annually in arrear in equal instalments on 9 June and 9 December in each year, commencing on 9 June 2022. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, any taxes to the extent described under “*Terms and Conditions of the Bonds – Taxation*”.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the terms and conditions of the Bonds (the “**Conditions**”)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds pursuant to a deed of guarantee (the “**Deed of Guarantee**”) to be entered into with The Bank of New York Mellon, London Branch (the “**Trustee**”) on the Issue Date. The obligations of the Guarantor (the “**Guarantee**”) under the Deed of Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Guarantor has obtained a certificate from the NDRC on 10 November 2021 evidencing the registration the issuance of the Bonds with the National Development and Reform Commission of the PRC (the “**NDRC**”) pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the NDRC on 14 September 2015. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds to the NDRC within 10 Registration Business Days (as defined in the Conditions) after the Issue Date in accordance with the NDRC Circular and any implementation rules as issued by the NDRC from time to time.

The Guarantor undertakes to (i) register or cause to be registered with the relevant branch of the State Administration of Foreign Exchange of the PRC (the “**SAFE**”) the Deed of Guarantee within 15 Registration Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**SAFE Registration**”); (ii) use its best endeavours to complete the SAFE Registration and obtain a registration certificate (or any other document evidencing the completion of the SAFE Registration) from the local branch of the SAFE on or before the Registration Deadline (being 120 Registration Business Days after the Issue Date); and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds and the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 December 2024 (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 (as defined below) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent (as defined in the Conditions), at their principal amount together with any interest accrued to (but not including) the date fixed for redemption if, immediately prior to giving such notice, the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee that the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond (each a “**Bondholder**”) will have the right, at such Bondholder’s option, to require the Issuer to redeem all, but not some only, of that Bondholder’s Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Conditions)) or 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined in the Conditions)) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase*”.

For a more detailed description of the Bonds, see “*Terms and Conditions of the Bonds*” beginning on page 55 of this Offering Circular.

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

Investing in the Bonds involves risks. See “*Risk Factors*” beginning on page 17 of this Offering Circular for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

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

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

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

The Guarantor has been assigned a corporate credit rating of “**BBB+**” with a stable outlook by Fitch Ratings Services (“**Fitch**”). The Bonds are expected to be assigned a rating of “**BBB+**” by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

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

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Chiyu Banking Corporation Limited

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Hong Kong Branch

SPDB International

ABC International

Shenwan Hongyuan (H.K.)

The Offering Circular is dated 6 December 2021.

NOTICE TO INVESTORS

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

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

The Offering Circular is not a prospectus for the purposes of the European Union’s Prospectus Regulation (Regulation EU 2017/1129) (and any amendments thereto) as implemented in member states of the European Economic Area (which, for these purposes, include the United Kingdom).

The communication of the Offering Circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the securities described in the Offering Circular are only available to, and any investment or investment activity to which the Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the Offering Circular or any of its contents.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group (as defined below). Each of the Issuer and the Guarantor accepts full responsibility for accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (collectively, the “Group”), the Bonds and the Guarantee which is material in the context of the issuance, offering and sale of the Bonds (including all information which is required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the financial position, results of operations, liquidity and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Bonds and the Guarantee), (ii) the statements with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee contained in this

Offering Circular as at the date hereof are, true and accurate and not misleading in all material respects, (iii) the opinions, intentions and forward-looking statements with respect to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee expressed in this Offering Circular as at the date hereof are, honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in the Offering Circular; (v) this Offering Circular as at the date hereof 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 (vi) the statistical, industry and market-related data included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering and sale of the Bonds in the manner described in this Offering Circular. The distribution of this Offering Circular and the offering and sale of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Zhongtai International Securities Limited, Hua Xia Bank Co., Limited Hong Kong Branch, Chiyu Banking Corporation Limited, CNCB (Hong Kong) Capital Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, SPDB International Capital Limited, ABCI Capital Limited and Shenwan Hongyuan Securities (H.K.) Limited (collectively, the “**Managers**”), the Trustee or the Agents (each as defined in the Conditions) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee 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 and the circulation of documents relating thereto in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issuance, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the Guarantee 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 Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them has separately verified the information contained in this Offering Circular. None of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Guarantee. 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 Guarantor, the Group, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them that any

recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied and will not rely on the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assume 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 a Manager, the Trustee or an Agent, or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Managers, the Trustee and the Agents and any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee or the Agents nor any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents, or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates and any person who controls any of them.

This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (IN SUCH CAPACITY, A “STABILISATION MANAGER”) OR ANY PERSON ACTING ON BEHALF OF SUCH STABILISATION MANAGER MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO SUCH STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER AND/OR THE GUARANTOR. HOWEVER, THERE IS NO ASSURANCE THAT A STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) WILL UNDERTAKE ANY STABILISATION ACTION. ANY LOSS RESULTING FROM OVER-ALLOTMENT AND STABILISATION WILL BE BORNE, AND ANY PROFIT ARISING THEREFROM SHALL BE BENEFICIALLY RETAINED, BY THE MANAGERS IN THE MANNER AGREED BETWEEN THEM. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY A STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Any of the Managers or their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective 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). Furthermore, investors in the Bonds may include entities affiliated with the Group.

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

WARNING

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.

INDUSTRY AND MARKET DATA

Market data, industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources including, among others, internal surveys, market research, governments' official releases and publication and industry publications. Although the Issuer and the Guarantor believe that such sources are reliable, none of the Issuer, the Guarantor, the Group, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them has independently verified the accuracy and completeness of the information derived from those sources. In addition, third-party information providers may have obtained from market participants information that may not have been independently verified. Accordingly, none of the Issuer, the Guarantor, the Group, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers, affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. Such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020.

The consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 has been derived from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 (the “**2019 Audited Financial Statements**”) and the consolidated financial information of the Guarantor as at and for the years ended 31 December 2019 and 2020 has been derived from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 (the “**2020 Audited Financial Statements**”, together with the 2019 Audited Financial Statements, the “**Audited Financial Statements**”). The Audited Financial Statements have been audited by TianYuanQuan Certified Public Accountants LLP (天圓全會計師事務所(特殊普通合伙)) (“**TYQ CPA**”), the independent auditor of the Guarantor. The Audited Financial Statements, included elsewhere in this Offering Circular, were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”).

The consolidated financial information of the Guarantor as at and for the six months ended 30 June 2020 and 2021 has been derived from the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2021 (the “**Reviewed Interim Financial Statements**”, together with the Audited Financial Statements, the “**Group’s Financial Statements**”). The Reviewed Interim Financial Statements were prepared and presented in accordance with the PRC GAAP and have been reviewed by TYQ CPA. The Reviewed Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021.

PRC GAAP differs in certain respects from the International Financial Reporting Standards (“**IFRS**”). The Issuer and the Guarantor have not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Certain Differences Between PRC GAAP and IFRS*”.

In preparing the Guarantor’s consolidated financial statements as at and for the year ended 31 December 2019, certain of the Guarantor’s listed subsidiaries have adopted a number of new accounting standards issued by the MOF, including *Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No.23 – Transfer of financial assets*, *Accounting Standards for Business Enterprises No. 24 – Hedging* and *Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments*, each with effect from 1 January 2019. In accordance with these new accounting standards, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2018. As a result of the above, certain consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 is not directly comparable to that as at and for the year ended 31 December 2019 and 2020. For more information, please refer to “*note III. Significant Accounting Policies and Accounting Estimates – 25. Changes in Significant Accounting Policies and Accounting Estimates*” to the Guarantor’s consolidated financial statements as at and for the year ended 31 December 2019.

In preparing the Guarantor’s consolidated financial statements as at and for the year ended 31 December 2020, certain of the Guarantor’s listed subsidiaries have adopted the new accounting standard issued by the MOF, namely *Accounting Standards for Business Enterprises No.14 – Revenue* with effect from 1 January 2020. In accordance with the new accounting standard, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2019. As a result of the above, certain consolidated financial information of the Guarantor as at and for the year ended 31 December 2019 is not directly comparable to that as at and for the year ended 31 December 2020. For more information, please refer to “*note III. Significant Accounting Policies and Accounting Estimates – 28. Changes in Significant Accounting Policies and Accounting Estimates*” to the Guarantor’s consolidated financial statements as at and for the year ended 31 December 2020. See “*Risk Factors – Risks Relating to the Group and Its Business – Changes in accounting standards may affect the comparability of the Group’s financial statements*”. Investors must therefore exercise caution when making comparisons between financial figures included in this Offering Circular when evaluating the Group’s financial condition and results of operations.

This Offering Circular includes figures relating to EBITDA. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Issuer, the Guarantor or the Group. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer and the Guarantor have included EBITDA because they believe that it is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the “**PRC**”, “**China**” and “**mainland China**” are to the People’s Republic of China (excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan), and all references to the “**United States**” and “**U.S.**” are to the United States of America, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC, and all references to “**U.S.\$**” and “**U.S. dollar(s)**” are to the lawful currency of the United States.

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 Renminbi has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.4566 to U.S.\$1.00 (being the noon buying rate in New York City on 30 June 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York (the “**Noon Buying Rate**”)). All such translations in this Offering Circular are provided solely for investors’ convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. Further information regarding exchange rate is set forth in “*Exchange Rates*” in this Offering Circular.

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

Unless the context otherwise requires, references to “2018”, “2019” and “2020” in this Offering Circular are to the financial years of the Guarantor ended 31 December 2018, 2019 and 2020, respectively.

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

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

- “**GDP**” refers to gross domestic product;
- “**HVAC**” refers to heating, ventilation, and air conditioning, the technology of indoor and vehicular environmental comfort;
- “**KW**” refers to kilowatt;
- “**MOF**” refers to the Ministry of Finance of the PRC;
- “**MOFCOM**” refers to the Ministry of Commerce of the PRC;
- “**NPC**” refers to the National People’s Congress of the PRC;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- “**PRC government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAT**” refers to the State Administration of Taxation of the PRC;

- “**SCNPC**” refers to the Standing Committee of the NPC;
- “**State Council**” refers to the State Council of the PRC;
- “**VAT**” refers to value-added tax;
- “**Yantai Municipal Government**” refers to the Yantai Municipal People’s Government (煙臺市人民政府) of the PRC; and
- “**Yantai SASAC**” refers to the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government (煙臺市人民政府國有資產監督管理委員會) of the PRC or its successor.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contained terms used in this Offering Circular as they relate to the Group's business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

- “**ADI**” refers to aliphatic diisocyanates (脂肪族異氰酸酯), which is a specialty intermediate chemical used primarily to make durable coatings, adhesives, sealants, elastomers and textiles.
- “**HDI**” refers to hexamethylene diisocyanate (六亞甲基二異氰酸酯), the organic compound with the formula $(\text{CH}_2)_6(\text{NCO})_2$. HDI is classified as a diisocyanate and is a colourless liquid.
- “**HMDI**” refers to hydrogenated diisocyanato dicyclohexylmethane (二環己基甲烷二異氰酸酯), an organic compound in the class known as isocyanates. HMDI is a water white liquid at room temperature and is manufactured in relatively small quantities.
- “**HPDE**” refers to high-density polyethylene (高密度聚乙烯), a thermoplastic polymer produced from the monomer ethylene. HPDE is used in the production of plastic bottles, corrosion-resistant piping, geomembranes and plastic lumber.
- “**IPDA**” refers to isophorone diamine (異佛爾酮二胺), which is a diamine with the formula $(\text{CH}_3)_3\text{C}_6\text{H}_7(\text{NH}_2)(\text{CH}_2\text{NH}_2)$. IPDA is a colourless liquid.
- “**IPDI**” refers to isophorone diisocyanate (異佛爾酮二異氰酸酯), an organic compound in the class known as isocyanates. IPDI exists in two stereoisomers, cis and trans. Their reactivities are similar. Each stereoisomer is an unsymmetrical molecule, and thus has isocyanate groups with different reactivities.
- “**LLPDE**” refers to linear low-density polyethylene (線性低密度聚乙烯), a substantially linear polymer with significant numbers of short branches, commonly made by copolymerization of ethylene with longer-chain olefins.
- “**MDI**” refers to methylene diphenyl diisocyanate (二苯基甲烷二異氰酸酯), an aromatic diisocyanate. MDI reacts with polyols in the manufacture of polyurethane. MDI is one of the most produced diisocyanates worldwide.
- “**PC**” refers to polycarbonate (聚碳酸酯), is a group of thermoplastic polymers containing carbonate groups in their chemical structures.
- “**PMMA**” refers to polymethyl methacrylate (聚甲基丙烯酸甲酯), also known as acrylic, acrylic glass, perspex, or plexiglass, which is a transparent thermoplastic often used in sheet form as a lightweight or shatter-resistant alternative to glass.
- “**polymeric MDI**” is a highly versatile product used to produce a wide variety of rigid, flexible, semi-rigid, polyisocyanurate and thermoset foams.
- “**PU catalysts**” refers to polyurethane catalysts (聚氨酯催化劑), which can be divided into two broad classes, namely gelling catalysts and blowing catalysts. Gelling catalysts are more selective to catalysing the reaction of the isocyanate with hydroxyl groups, whereas blowing catalysts are foaming catalysts.
- “**pure MDI**” is used in the production of a variety of polyurethane products like coatings, adhesives, sealants and elastomers such as paints, glues and weather resistant materials.
- “**PVC**” refers to polyvinyl chloride (聚氯乙烯), an economical and versatile thermoplastic polymer widely used in building and construction industry to produce door and window profiles, pipes, wire and cable insulation and medical devices.

- “**SAP**” refers to super absorbent polymer (高吸水性聚合物), which can absorb and retain extremely large amounts of liquid relative to its own mass.
- “**TDI**” refers to toluene diisocyanate (甲苯二異氰酸酯), an organic compound with the formula $\text{CH}_3\text{C}_6\text{H}_3(\text{NCO})_2$, which has six possible isomers. TDI is used primarily in the production of flexible foams.
- “**TPU**” refers to thermoplastic polyurethane (熱塑性聚氨酯彈性體), which is any of a class of polyurethane plastics with many properties, including elasticity, transparency, and resistance to oil, grease, and abrasion.

FORWARD-LOOKING STATEMENTS

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

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

Factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any member of the Group to be materially different include, among others:

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group’s capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- any changes in the laws, rules and regulations of the PRC government and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group’s business;
- general political and economic conditions, including those related to the PRC or Yantai;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group’s control;
- macroeconomic measures taken by the PRC government or manage economic growth;

- changes in global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect its management’s view only as at the date of this Offering Circular. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor, the Group could differ materially from those anticipated in these 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, including the section entitled “Risk Factors”, before making an investment decision.

OVERVIEW

The Group is a leading state-owned conglomerate based in Yantai City, Shandong Province. Leveraging on over 10 years of profound operational experience, the Group has built up a diversified business portfolio including chemical business, energy equipment sales and services, high performance fibres production and commodities trading. The Group also expands its footprints in the operation and management of industrial parks and project investment with an aim to generate stable revenue and supplement its primary businesses. As at 30 June 2021, the Group held four publicly-listed subsidiaries in the PRC, namely Wanhua Chemical Group Co., Ltd. (萬華化學集團股份有限公司) (“**Wanhua Chemical**”) (600309.sh), Moon Environmental Technology Co., Ltd. (冰輪環境技術股份有限公司) (“**Moon Technology**”) (000811.sz), Yantai Tayho Advanced Materials Co., Ltd (煙臺泰和新材料股份有限公司) (“**Tayho Advanced Materials**”) (002254.sz) and Yantai Shichuan Sealing Technology Co., Ltd. (煙台石川密封科技股份有限公司) (“**Seal-tech**”) (301020.sz).

The Group’s business segments are as follows:

- *Chemical Business.* Chemical business is the core business segment of the Group and the primary source of revenue for the Group’s business operations. The Group conducts its chemical business through Wanhua Chemical, which has been listed on the Shanghai Stock Exchange (stock code: 600309.sh) since 2001. Wanhua Chemical is mainly engaged in the research and development as well as the production and sales of raw materials used in the production of polyurethane series products, petrochemical products as well as fine chemicals and new materials. The products manufactured by Wanhua Chemical are further processed by customers to manufacture products used in various fields, including transportation, construction, wood, furniture, electronics, sports, cosmetics, health and chemicals. Demonstrated by its proven track record, Wanhua Chemical is a major supplier of MDI, ADI, polyether and TPU across the world as well as a major TDI supplier in Europe. According to the *C&EN Magazine*, Wanhua Chemical ranked 29th among all chemical enterprises worldwide in terms of total sales of chemical products. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group’s chemical business was RMB72,481.4 million, RMB67,783.0 million, RMB73,297.5 million, RMB30,738.0 million and RMB67,574.1 million, respectively, representing 90.3 per cent., 88.7 per cent. 86.9 per cent., 89.0 per cent. and 86.4 per cent., respectively, of the Group’s total revenue for the same periods.
- *Energy Equipment Sales and Services.* The Group conducts its energy equipment sales and services business primarily through Moon Technology, which has been listed on the Shenzhen Stock Exchange (Stock Code: 000811.sz) since 1998. Moon Technology is a leading enterprise in research and development as well as manufacturing and sales of low-temperature refrigeration equipment in the PRC. Moon Technology has developed a full-chain industrial layout covering seven industrial clusters, including low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment, energy-saving heating equipment, precision castings, hydrogen energy equipment and digital intelligence services. Among them, low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment and energy-saving heating equipment are Moon Technology’s major industrial clusters. Moon Technology was awarded “Meritorious Enterprise of Equipping China (裝備中國功勳企業)” by China Machinery Industry Federation in 2011, the Top 100 China Machinery Industry Company (中國機械工業) by China Machinery Industry Federation (中國機械工業聯合會) and China Association of Automobile Manufacturers (中國汽車工業協會) for consecutive two years from 2020 to 2021. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue

generated from the Group's energy equipment sales and services business was RMB4,066.5 million, RMB3,815.5 million, RMB4,043.7 million, RMB1,603.1 million and RMB2,346.5 million, respectively, representing 5.1 per cent., 5.0 per cent., 4.8 per cent., 4.6 per cent. and 3.0 per cent., respectively, of the Group's total revenue for the same periods.

- *High Performance Fibres Production.* The Group is a leading entity in the production of high performance fibres in the PRC. The Group conducts its high performance fibres production business primarily through Tayho Advanced Materials, which has been listed on the Shenzhen Stock Exchange (stock code: 002254.sz) since 2008. Founded in 1987, Tayho Advanced Materials is a national high-tech enterprise specialised in the research and development and production of high-performance fibers, including spandex fibres and aramid fibres. Spandex fibres and aramid fibres are high performance fibres that have wide ranges of applications across different industries and sectors. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's high performance fibres production business was RMB2,170.7 million, RMB2,540.3 million, RMB2,439.7 million, RMB1,040.0 million and RMB2,125.0 million, respectively, representing 2.7 per cent., 3.3 per cent., 2.9 per cent., 3.0 per cent. and 2.7 per cent., respectively, of the Group's total revenue for the same periods.
- *Commodities Trading.* The Group commences its commodities trading business since September 2019. The Group trades a variety of commodities including electrolytic copper, coal and non-ferrous metal. Leveraging on its supply chain advantages from its strategic partnerships with Shanghai Junhe Group International Trading Co., Ltd. (上海均和集團國際貿易有限公司) ("**Junhe Group**") and Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) ("**Ruimaotong**"), the Group has been actively developing its commodities trading business. For the year ended 31 December 2020 and the six months ended 30 June 2021, revenue generated from the Group's commodities trading business was RMB2,891.0 million and RMB5,390.1 million, respectively, representing 3.4 per cent. and 6.9 per cent., respectively, of the Group's total revenue for the same periods.
- *Other Businesses.* The Group also conducts other businesses such as the operation and management of industrial parks and project investment. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's other businesses was RMB1,538.4 million, RMB2,289.2 million, RMB1,679.2 million, RMB1,153.7 million and RMB753.9 million, respectively, representing 1.9 per cent., 3.0 per cent., 2.0 per cent., 3.3 per cent. and 1.0 per cent., respectively, of the Group's total revenue for the same periods.

As the first state-owned enterprise focusing on the investment and management of state-owned assets in Yantai City, the Group has enjoyed strong government support since its incorporation. For the year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group received government grants of RMB1,094.7 million, RMB997.3 million, RMB959.4 million, RMB521.6 million and RMB360.1 million, respectively. The Group also benefits from strong financial strengths and preferential policies of Shandong Province. Located in the Shandong Peninsula, Yantai City is one of the central cities within the region and a strategically important port city under The Belt and Road Initiative in the Bohai Rim region. In addition, Yantai City is also one of the first 14 coastal open cities within the PRC and has greatly benefited from the vast commercial opportunities as a result of its prominent geographical location. In 2018, the State Council approved the establishment of Shandong Comprehensive Pilot Zone for the Replacements of Old Economic Growth Drivers with New Economic Growth Drivers (山東新舊動能轉換綜合試驗區), which further promotes the development of new technologies and new industries in Shandong Province. In addition, China (Shandong) Pilot Free Trade Zone Yantai Area (中國(山東)自由貿易試驗區煙台片區) was launched in August 2019, which attracts foreign investment and promotes trade liberalisation and facilitation. According to Shandong Provincial Bureau of Statistics (山東省統計局), Shandong Province recorded a GDP of approximately RMB7,312.9 billion in 2020, ranking the third among all provinces in the PRC. In particular, Yantai City recorded a GDP of approximately RMB781.6 billion in 2020, ranking the third among all cities in Shandong Province and 25th among all cities nationwide. As such, the Group believes that it is well-positioned to capture the industry growth opportunities by such preferential policies.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the total revenue of the Group was RMB80,256.9 million, RMB76,430.0 million, RMB84,351.1 million, RMB34,534.7 million and RMB78,189.5 million, respectively. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total assets of the Group were RMB113,028.1 million, RMB129,674.4 million, RMB184,943.6 million and RMB225,388.3 million, respectively.

RECENT DEVELOPMENTS

Gratuitously Equity Transfer and Debt Assignment

Pursuant to a notice issued by Yantai SASAC on 7 July 2021, Yantai Guosheng Investment Holding Co., Ltd. (煙台國盛投資控股有限公司), a subsidiary of the Guarantor, is required to gratuitously transfer 22.1842 per cent. of the equity interest it held in Yantai Travel World Co., Ltd. (煙台旅遊大世界有限公司) (the “**Target Assets**”), to Yantai Blue Sky Investment and Development Group Co., Ltd. (煙台藍天投資開發集團有限公司), a subsidiary wholly-owned by Yantai SASAC. The book value of the Target Assets amounted to RMB10.4 million, representing 0.01 per cent. of the Guarantor’s consolidated net assets as at 31 December 2020. After such transaction, Yantai Guosheng Investment Holding Co., Ltd. no longer holds any equity interest in Yantai Travel World Co., Ltd. In addition, pursuant to an approval issued by Yantai SASAC on 28 August 2021, Yantai Guoyu Financial Leasing Co., Ltd. (煙台國裕融資租賃有限公司) is required to gratuitously assign, and Yantai Municipal Caijin Development and Investment Group Co., Ltd. (煙台市財金發展投資集團有限公司) as the assignee agreed to accept non-performing debts owed by Yantai Municipal Financial Guarantee Co., Ltd. (煙台市融資擔保有限責任公司) to Yantai Guoyu Financial Leasing Co., Ltd. (the “**Debt Assignment**”). The book value of the debt assigned amounted to RMB65.4 million, representing 0.09 per cent. of the Guarantor’s consolidated net assets as at 31 December 2020. The transactions in relation to gratuitously equity transfer and debt assignment have been completed.

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

For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group’s revenue increased as a result of the increase of revenue generated from its chemical business, primarily attributable to the increase in the average selling prices of main products. As a result, the Group’s operating cost and income tax expenses increased accordingly. For the nine months ended 30 September 2020, as compared to the same period in the preceding year, the Group’s finance expenses increased primarily attributable to the increase in interest expenses; the Group’s impairment losses on assets increased significantly primarily attributable to the increase in impairment loss on engineering materials; the Group’s other income decreased primarily attributable to the decrease in government grants as the Group received more government grants for the nine months ended 30 September 2020 in response to the 2019 novel coronavirus (“**COVID-19**”) pandemic; and the Group’s non-operating expenses increased significantly primarily attributable to the increase in losses from damage or scrapping of the Group’s certain facilities and equipment.

As at 30 September 2021, as compared to the financial position as at 30 June 2021, the Group’s short-term borrowings and long-term borrowings both increased primarily due the new facility agreements the Group entered into with certain banks and financial institutions; the Group’s contract liabilities increased primarily due to the increase in prepayments from customers in line with the Group’s increased products sales volume; the Group’s non-current liabilities due within one year increased primarily due to the reclassification of long-term borrowings and lease liabilities due within one year to non-current liabilities due within one year; and the Group’s other current liabilities increased as a result of the issuance of super short-term financing papers in 2021.

Such financial information has not been subject to an audit or review by the Group’s independent auditors and should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when using such financial information to evaluate the Group’s financial condition and results of operations. The Group’s financial information as at and for the nine months ended 30 September 2021 does not form a part of this

Offering Circular and is not necessarily indicative of the results of operations as at and for the full financial year ending 31 December 2021. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. See *“Risk Factors – Risks relating to the Group and Its Business – Investors should not place any reliance on the financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information”*.

Issuance of Super Short-term Commercial Papers

On 1 November 2021, the Guarantor issued a super short-term commercial paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days (the **“1 November 2021 Commercial Paper”**). The 1 November 2021 Commercial Paper bears a fixed annual interest rate of 2.5 per cent., payable on 30 July 2022. On 8 November 2021, the Guarantor issued a super short-term commercial paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days (the **“8 November 2021 Commercial Paper”**). The 8 November 2021 Commercial Paper bears a fixed annual interest rate of 2.5 per cent., payable on 6 August 2022. As at the date of this Offering Circular, the entire principal amount of the 1 November 2021 Commercial Paper and the 8 November 2021 Commercial Paper remains outstanding.

Issuance of Renewable Corporate Bonds

On 15 September 2021, the Guarantor issued renewable corporate bonds in an aggregate principal amount of RMB1.5 billion with a fixed annual interest rate of 3.68 per cent. and an initial tenor of three years (the **“September Renewable Corporate Bonds”**). The Guarantor is entitled, at the end of the initial tenor, to exercise its renewable option to extend the term of the September Renewable Corporate Bonds for another three years. The September Renewable Corporate Bonds were listed on the Shanghai Stock Exchange on 23 September 2021. On 12 November 2021, the Guarantor issued renewable corporate bonds in an aggregate principal amount of RMB2.0 billion with a fixed annual interest rate of 3.58 per cent. and an initial tenor of three years (the **“November Renewable Corporate Bonds”**). The Guarantor is entitled, at the end of the initial tenor, to exercise its renewable option to extend the term of the November Renewable Corporate Bonds for another three years. The November Renewable Corporate Bonds were listed on the Shanghai Stock Exchange on 17 November 2021. The September Renewable Corporate Bonds and the November Renewable Corporate Bonds are classified as other equity instruments of the Group.

COMPETITIVE STRENGTHS

The Group believes that the following strength are important to its success and future development:

- the first state-owned capital investment enterprise in Yantai City with strategic importance;
- prominent shareholder background with strong government support;
- sound asset structure and diversified financing channels;
- comprehensive management system with robust risk management mechanism; and
- professional management team with in-depth industrial knowledge and expertise.

BUSINESS STRATEGIES

As the first state-owned asset investment and management entity in Yantai City, the Group intends to take on a leading role in the state-owned enterprise reform by continuing exploring alternative pathways for state-owned asset investment enterprise reform. The Group intends to focus on the following business strategies:

- continue to integrate the industrial chain;
- continue to attract and promote investment; and
- continue to optimise business layout.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2018, 2019 and 2020 set out below (other than the non-GAAP information) has been audited by TYQ CPA, the independent auditor of the Guarantor. The summary consolidated financial information of the Guarantor as at and for the six months ended 30 June 2020 and 2021 set forth below (other than the non-GAAP information) has been reviewed by TYQ CPA. The Reviewed Interim Financial Information has not been audited by TYQ CPA. Consequently, such summary consolidated interim financial information and the Reviewed Interim Financial Information are not providing the same quality of information associated with information that has been subject to an audit. Investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. Such consolidated interim financial information and the Reviewed Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. See "Presentation of Financial Information".

In preparing the Guarantor's consolidated financial statements as at and for the year ended 31 December 2019, certain of Guarantor's listed subsidiaries have adopted a number of new accounting standards issued by the MOF, including Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.23 – Transfer of financial assets, Accounting Standards for Business Enterprises No. 24 – Hedging and Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments, each with effect from 1 January 2019. In accordance with these new accounting standards, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2018. As a result of the above, certain consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 is not directly comparable to that as at and for the year ended 31 December 2019 and 2020. For more information, please refer to "note III. Significant Accounting Policies and Accounting Estimates – 25. Changes in Significant Accounting Policies and Accounting Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2019.

In preparing the Guarantor's consolidated financial statements as at and for the year ended 31 December 2020, certain of listed Guarantor's subsidiaries have adopted the new accounting standard issued by the MOF, namely Accounting Standards for Business Enterprises No.14 – Revenue with effect from 1 January 2020. In accordance with the new accounting standard, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2019. As a result of the above, certain consolidated financial information of the Guarantor as at and for the year ended 31 December 2019 is not directly comparable to that as at and for the year ended 31 December 2020. For more information, please refer to "note III. Significant Accounting Policies and Accounting Estimates – 28. Changes in Significant Accounting Policies and Accounting Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2020. See "Risk Factors – Risks Relating to the Group and Its Business – Changes in accounting standards may affect the comparability of the Group's financial statements". Investors must therefore exercise caution when making comparisons between financial figures included in this Offering Circular when evaluation the Group's financial condition and results of operations.

Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. The Group's Financial Statements have been prepared in accordance with PRC GAAP. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Group's Financial Statements and the notes thereto included elsewhere in this Offering Circular.

SUMMARY STATEMENT OF FINANCIAL POSITION

	As at 31 December				As at 30 June	
	2018	2019	2020		2021	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
			(unaudited)	(unaudited)		
	(in millions)					
Current assets						
Cash and bank balances	9,441.7	7,932.7	26,675.1	4,131.4	38,137.0	5,906.7
Financial assets held for trading	—	962.9	791.3	122.6	1,322.4	204.8
Financial assets at fair value through profit or loss	173.4	1,701.8	1,745.6	270.4	—	—
Derivative financial assets	108.8	58.7	61.9	9.6	194.8	30.2
Notes receivable	10,400.4	969.1	586.1	90.8	610.7	30.2
Accounts receivable	5,481.8	6,172.2	8,620.7	1,335.2	13,543.8	2,097.7
Receivables financing	—	3,971.7	5,273.7	816.8	6,861.2	1,062.7
Prepayments	729.6	772.6	1,448.6	224.4	2,173.9	336.7
Other receivables	4,659.8	6,369.3	6,442.3	997.8	6,751.4	1,045.7
Inventories	10,451.1	10,029.0	9,986.5	1,546.7	17,280.5	2,676.4
Contract assets	—	—	266.3	41.2	275.4	42.6
Held-for-sale assets	—	11.2	—	—	—	—
Non-current assets due within one year	—	—	43.0	6.7	43.0	6.7
Other current assets	1,889.8	1,580.2	1,797.9	278.5	1,026.1	158.9
Total current assets	43,336.3	40,531.5	63,738.9	9,871.9	88,220.2	13,663.6
Non-current assets						
Debt investments	—	0.1	0.1	0.0	0.0	0.0
Available-for-sale financial assets	802.5	4,803.9	7,230.6	1,119.9	—	—
Long-term receivables	951.9	1,082.4	1,144.6	177.3	1,327.5	205.6
Long-term equity investments	1,188.5	1,344.2	2,112.7	327.2	3,642.5	564.1
Investments in other equity instruments	—	340.0	1,283.4	198.8	1,918.7	297.2
Other non-current financial assets	—	484.6	—	—	6,920.4	1,071.8
Investment properties	269.0	273.9	206.0	31.9	201.1	31.2
Fixed assets	39,843.6	41,544.9	60,431.4	9,359.6	63,744.4	9,872.8
Construction in progress	11,676.6	24,922.8	24,564.2	3,804.5	26,729.0	4,139.8
Intangible assets	6,222.0	8,139.7	9,534.1	1,476.6	10,063.0	1,558.6
Goodwill	2,160.1	2,167.6	2,196.2	340.1	2,149.9	333.0
Long-term prepaid expenses	64.5	62.8	72.9	11.3	78.8	12.2
Deferred tax assets	1,061.0	766.1	979.5	151.7	1,272.7	197.1
Other non-current assets	5,452.3	3,210.1	11,449.1	1,773.2	16,860.1	2,611.3
Total non-current assets	69,691.8	89,143.1	121,204.7	18,772.2	137,168.1	21,244.6
Total assets	113,028.1	129,674.6	184,943.6	28,644.1	225,388.3	34,908.2

	As at 31 December				As at 30 June	
	2018	2019	2020		2021	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
			(unaudited)		(unaudited)	
			(in millions)			
Current liabilities						
Short-term borrowings.	19,587.3	23,430.4	42,001.7	6,505.2	50,305.9	7,791.4
Financial liabilities at fair value through profit or loss.	0.6	—	—	—	—	—
Derivative financial liabilities.	12.8	40.3	23.9	3.7	4.2	0.6
Notes payable.	4,759.0	9,237.6	9,046.6	1,401.1	7,308.1	1,131.9
Accounts payable	6,957.8	9,565.6	10,838.7	1,678.7	14,669.5	2,272.0
Receipts in advance	3,437.7	3,032.5	105.6	16.4	0.1	0.0
Contract liabilities.	—	—	3,547.3	549.4	6,314.5	978.0
Employee benefits payable . .	1,292.5	1,236.9	1,248.0	193.3	1,071.0	165.9
Taxes payable.	1,690.2	604.3	1,286.8	199.3	2,307.0	357.3
Other payables	4,157.4	4,242.7	4,218.1	653.3	4,469.4	692.2
Non-current liabilities due within one year	5,975.6	3,554.9	1,582.9	245.2	2,988.9	462.9
Other current liabilities	6.3	—	5,435.6	841.9	8,880.9	1,375.5
Total current liabilities	<u>47,877.3</u>	<u>54,945.2</u>	<u>79,335.3</u>	<u>12,287.5</u>	<u>98,319.5</u>	<u>15,227.8</u>
Non-current liabilities						
Long-term borrowings.	6,949.0	11,372.7	23,007.9	3,563.5	26,822.8	4,154.3
Bonds payable	—	1,991.6	4,982.6	771.7	6,982.9	1,081.5
Lease liabilities.	—	—	—	—	1,517.9	235.1
Long-term payables.	885.1	961.0	4,793.0	742.3	5,110.0	791.4
Long-term employee benefits payable.	56.6	60.7	57.6	8.9	56.3	8.7
Provisions	326.1	288.5	314.8	48.8	304.7	47.2
Deferred income	1,100.8	1,115.3	1,130.5	175.1	1,277.0	197.8
Deferred tax liabilities.	895.2	498.6	669.0	103.6	603.3	93.4
Other non-current liabilities. .	—	0.1	0.8	0.1	20.8	3.2
Total non-current liabilities.	<u>10,212.7</u>	<u>16,288.5</u>	<u>34,956.4</u>	<u>5,414.1</u>	<u>42,695.7</u>	<u>6,612.7</u>

	As at 31 December				As at 30 June	
	2018	2019	2020		2021	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
	(unaudited)				(unaudited)	
	(in millions)					
Shareholders' equity						
Share capital.	10,000.0	10,000.0	10,000.0	1,548.8	10,000.0	1,548.8
Other equity instruments	—	—	1,996.6	309.2	4,992.4	773.2
Capital reserve	3,729.9	—	—	—	110.0	17.0
Other comprehensive income. .	(49.8)	(32.6)	136.0	21.1	70.0	10.8
Special reserve	4.4	8.9	11.9	1.8	16.8	2.6
Surplus reserve	52.6	143.6	35.4	5.5	35.4	5.5
Undistributed profits	9,294.0	4,504.8	5,261.5	814.9	7,890.6	1,222.1
Total equity attributable to equity holders of the Company.	14,031.1	14,624.7	17,441.3	2,701.3	23,115.2	3,580.1
Minority interests	40,907.1	43,816.2	53,210.6	8,241.3	61,257.8	9,487.6
Total equity	54,938.1	58,440.9	70,651.9	10,942.6	84,373.0	13,067.7
Total equity and liabilities. .	113,028.1	129,674.6	184,943.6	28,644.1	225,388.3	34,908.2

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
			(unaudited)			(unaudited)	
			(in millions)				
Revenue	80,256.9	76,428.0	84,351.1	13,064.3	34,534.7	78,189.5	12,110.0
Operating cost	(52,195.6)	(54,851.3)	(62,247.0)	(9,640.8)	(27,248.2)	(55,426.0)	(8,584.4)
Taxes and surcharges	(976.1)	(731.1)	(817.9)	(126.7)	(313.2)	(522.2)	(80.9)
Selling and distribution expenses	(3,059.1)	(3,422.9)	(3,498.7)	(541.9)	(1,632.4)	(2,231.7)	(345.6)
General and administrative expenses	(2,422.7)	(2,044.4)	(1,963.7)	(304.1)	(788.2)	(1,087.6)	(168.5)
Research and development expenses	(1,841.0)	(1,975.4)	(2,427.1)	(375.9)	(1,029.8)	(1,384.1)	(214.4)
Financial expenses	(1,188.7)	(1,161.7)	(1,728.5)	(267.7)	(651.7)	(1,061.1)	(164.3)
Other income	1,187.6	1,021.5	860.4	133.3	515.1	229.0	35.5
Investment income	209.3	319.8	425.9	66.0	180.3	411.5	63.7
Gains from changes in fair values	(5.7)	271.6	(1.2)	(0.2)	(3.3)	7.3	1.1
Credit impairment losses . .	–	(47.4)	(115.3)	(17.9)	48.3	(245.2)	(38.0)
Impairment losses of assets	(233.2)	(608.5)	(776.2)	(120.2)	(18.2)	(51.2)	(7.9)
Gains on disposal of assets	34.1	24.6	22.7	3.5	1.1	2.6	0.4
Operating profit	<u>19,766.0</u>	<u>13,222.9</u>	<u>12,084.6</u>	<u>1,871.7</u>	<u>3,594.5</u>	<u>16,830.8</u>	<u>2,606.8</u>
Non-operating income . . .	20.4	90.4	31.6	4.8	12.9	66.5	10.3
Non-operating expenses . .	(451.0)	(135.0)	(152.4)	(23.6)	(39.5)	(231.2)	(35.8)
Profit before income taxes	<u>19,335.4</u>	<u>13,178.2</u>	<u>11,963.8</u>	<u>1,853.0</u>	<u>3,567.9</u>	<u>16,666.1</u>	<u>2,581.3</u>
Income tax expenses	(3,510.9)	(1,785.2)	(1,438.0)	(222.7)	(346.0)	(2,521.6)	(390.5)
Net Profit	<u><u>15,824.4</u></u>	<u><u>11,393.0</u></u>	<u><u>10,525.8</u></u>	<u><u>1,630.2</u></u>	<u><u>3,221.9</u></u>	<u><u>14,144.5</u></u>	<u><u>2,190.7</u></u>
Other comprehensive income, net of tax	(155.5)	24.5	747.8	115.8	134.0	(317.5)	(49.2)
Total comprehensive income	<u>15,668.9</u>	<u>11,417.4</u>	<u>11,273.5</u>	<u>1,746.0</u>	<u>3,355.9</u>	<u>13,827.0</u>	<u>2,141.5</u>
Attributable to equity holders of the Company .	3,668.5	2,356.4	1,940.9	300.6	539.7	2,622.6	406.2
Attributable to minority interests	12,000.4	9,061.1	9,332.7	1,445.5	2,816.2	11,204.4	1,735.3

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December				For the six months ended 30 June		
	2018	2019	2020		2020	2021	
	(RMB)	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
				(unaudited)		(unaudited)	
				(in millions)			
Net cash flows from operating activities . . .	22,830.6	26,267.0	17,232.2	2,668.9	6,366.4	11,088.3	1,717.4
Net cash flows (used in)/investing activities .	(11,576.0)	(26,397.3)	(36,311.5)	(5,623.9)	(15,658.2)	(15,630.6)	(2,420.9)
Net cash flows (used in)/from financing activities	(9,256.3)	(459.3)	37,703.8	5,839.6	18,805.7	16,050.6	2,485.9
Effect of foreign exchange rate changes on cash and cash equivalents	57.6	5.4	(41.1)	(6.4)	(10.0)	35.2	5.5
Net Increase/ (Decrease) in Cash and Cash Equivalents	2,055.9	(584.1)	18,583.4	2,878.2	9,503.9	11,543.6	1,787.9
Cash and cash equivalents at the beginning of the period	6,242.3	8,289.2	7,714.1	1,194.8	7,714.1	26,297.5	4,073.0
Cash and cash equivalents at the end of the period.	8,298.2	7,714.1	26,297.5	4,073.0	17,218.0	37,841.0	5,860.8

OTHER FINANCIAL DATA

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated.

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
EBITDA ⁽¹⁾ (RMB in millions)	25,294.3	19,649.9	19,641.7	7,002.8	22,275.5
EBITDA margin ⁽²⁾	31.5%	25.7%	23.3%	20.3%	28.5%
	As at 31 December			As at 30 June	
	2018	2019	2020	2021	
Total Debt ⁽³⁾ (RMB in millions)	32,806.8	40,616.7	80,753.7	98,860.3	
Net Debt ⁽⁴⁾ (RMB in millions)	24,534.3	32,956.4	54,456.3	61,019.2	

Notes:

- (1) EBITDA for any period is calculated as net profit adjusted for adjusted income tax expenses, interest expenses under financial costs, depreciation, amortisation of intangible assets and long-term deferred expenses. EBITDA is a widely used financial indicator of a company's ability to service and incur debt, EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Issuer believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.
- (2) EBITDA margin is calculated by dividing EBITDA by total revenue during the period.
- (3) Total debt consists of short-term borrowings, non-current liabilities due within one year (interest-bearing portion), other current liabilities (interest-bearing portion), long-term borrowings, bonds payable and long-term payables (interest-bearing portion). Investors should not compare the Group's total debt to total debt presented by other companies because not all companies use the same definition.
- (4) Net debt is calculated as total debt less unrestricted monetary funds. Investors should not compare the Group's net debt to net debt presented by other companies because not all companies use the same definition.

THE OFFERING

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

Issuer	Junfeng International Co., Ltd 君豐國際有限公司
Legal Entity Identifier of the Issuer	254900F6K7BOH3XMIT29.
Guarantor	Yantai Guofeng Investment Holdings Group Co., Ltd. (煙臺國豐投資控股集團有限公司).
The Bonds	U.S.\$250,000,000 2.20 per cent. Guaranteed Bonds due 2024.
Guarantee	<p>The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee (and any supplement thereto).</p> <p>The Guarantor undertakes to register or cause to be registered with the relevant branch of the SAFE the Deed of Guarantee within 15 Registration Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantee (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 and effective from 1 June 2014 (the “SAFE Registration”). The Guarantor shall use its best endeavours to complete the SAFE Registration and obtain a registration certificate (or any other document evidencing the completion of the SAFE Registration) from the local branch of the SAFE on or before the Registration Deadline (being 120 Registration Business Days after the Issue Date) and comply with all applicable PRC laws and regulations with respect to the issue of the Bonds and the Deed of Guarantee.</p>
Issue Price	The Bonds will be issued at 100.00 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Issue Date	9 December 2021.
Maturity Date	9 December 2024.

Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.20 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$11.00 per Calculation Amount (as defined in the Conditions) on 9 June and 9 December in each year, commencing on 9 June 2022.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) (<i>Negative Pledge</i>) of the Conditions.
Use of Proceeds	The Issuer intends to use the net proceeds from this offering for project construction and replenishing working capital. See “ <i>Use of Proceeds</i> ”.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Relevant Events	As more fully described herein, following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date, as further described in Condition 6(c) (<i>Redemption for Relevant Events</i>) of the Conditions.

A “Change of Control” occurs when:

- (i) one or more Government Persons acting together, cease to hold or own directly or indirectly 70 per cent. of the issued share capital of the Guarantor;
- (ii) the Guarantor ceases to directly or indirectly hold or own at least 100 per cent. of the issued share capital of the Issuer; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons other than the Government Persons.

See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*”.

Redemption for Taxation

Reasons

As more fully described herein, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with any interest accrued to (but not including) the date fixed for redemption, if the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*”.

Cross-Default.

An Event of Default occurs if:

- (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or
- (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or
- (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in Condition 9(c) have occurred in aggregate equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which Condition 9(c) operates).

Further Issues	The Issuer may from time to time without the consent of the Bondholders 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 deadline for making and completing the NDRC Post-Issue Filing and the SAFE Registration and for making the consequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in “ <i>Terms and Conditions of the Bonds – Further Issues</i> ”.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Form	The Bonds will be represented initially by beneficial interests in the Global Certificate which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depositary on behalf of Euroclear and Clearstream.
Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream with a Common Code of 240680424 and the ISIN of XS2406804240.
Governing Law	English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction.
Listing	Application will be made to SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 10 December 2021.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.
Rating	The Bonds are expected to be assigned a rating of “BBB+” by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the markets in which the Group operates, the Bonds and the Guarantee. Some risks may be unknown to the Issuer and the Guarantor and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor and the Group or the value of the Bonds. Each of the Issuer and the Guarantor believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds and the ability of the Guarantor to perform its obligations under the Guarantee may be affected by some factors that may not be considered as significant risks by the Issuer and/or the Guarantor on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

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

RISKS RELATING TO THE GROUP AND ITS BUSINESS

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

The Group is a leading state-owned conglomerate based in Yantai City, Shandong Province. The Group's business operations, such as chemical business, energy equipment sales and services, high performance fibres production and commodities trading, due to demands by the Group's customers and suppliers throughout the PRC, has in the past been, and may continue to be, materially affected by the economic and market conditions in the PRC. Deteriorating economic conditions, negative perceptions about economic conditions or a negative or uncertain economic outlook could result in a substantial decrease in demand for the Group's products and negatively impact capacity utilisation, selling prices and volume, hence affecting the Group's results of operations. In particular, if the GDP in the PRC declines, the Group typically experiences a greater decline in sales. The PRC's economy has experienced rapid growth in the past 40 years; however, in recent years, there has been a slowdown in the growth rate since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.8 per cent. in 2013 to 2.3 per cent. in 2020.

Furthermore, the Group's results of operations may also be affected by adverse development in global political or economic environment, which may in turn adversely affect the economic and market conditions in the PRC. For example, the United Kingdom's exit from the European Union, which formally took place on 1 January 2020, has brought substantial uncertainty as to its impact on the global economic conditions. Further, 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 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 have led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. Although the COVID-19 pandemic has been largely contained in the PRC, regional resurgences from time to time have resulted in a continued uncertainty in the economic conditions. See “– The Group's business may be affected by natural disasters, epidemics and other acts of God, including the recent COVID-19 pandemic”.

Uncertain global economic factors and changes in GDP growth in the PRC make it difficult for the Group to forecast demand trends for its products and its profitability. It can be difficult to accurately predict the development of factors affecting the industry segments, and negative developments could materially adversely affect the Group's business, financial condition, results of operations and prospects.

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

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released by the State Council in September 2014, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) jointly issued by the 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**”) issued by the MOF 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) (the “**Joint Opinion**”) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018, 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)) (“**Circular 666**”) issued by the General Office of NDRC in June 2019 and the Notice of Further Strengthening the Corporate Bonds' Capacity of Serving the Real Economy and Strictly Preventing Local Debt Risks (Fa Gai Ban Cai Jin [2018] No. 194) (關於進一步增強企業債務服務實體經濟能力嚴格防範地方債務風險的通知) (發改辦財金[2018]194號)) (“**Circular 194**”) jointly issued by the General Office of NDRC and the General Office of MOF on 8 February 2018 (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion, Circular 666 and Circular 194, together, the “**Debt Control Circulars**”).

According to Circular 43, local governments should finance the development of public interest projects by issuing government bonds, and financing vehicles are prohibited from functioning as the financing arm of the local government, may not incur new government debts and should carry on their operations and financing in accordance with market-oriented principles. Public interest projects that are profit earning, such as construction of non-toll free highways, may be developed either by private investors independently or by a special purpose company jointly established by the local government and private investors. Private investors and such special purpose companies shall invest in accordance with market-oriented principles and may finance projects with bank loans, corporate bonds and asset-backed securitisation. Furthermore, local governments shall not be liable for any of the debts of private investors or special purpose companies. Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds within the quota approved by the State Council for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 stipulated the scope of government procurement of services and required the funds needed for government procurement of services shall be faithfully earmarked in full in the annual budget and medium-term financial plan. Circular 23, Circular 194 and Circular 706 established policies for foreign debt issuance including the

prohibition against public assets being included 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, and prohibits local governments to provide guarantee or assume debt repayment responsibility. 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 June 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 to finance its operations and to satisfy its liquidity needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither Yantai SASAC, the Yantai Municipal Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer and the Guarantor, and the obligations of the Issuer under the Bonds or the Trust Deed and the obligations of the Guarantor under the Guarantee shall solely be fulfilled by the Issuer and the Guarantor, as the case may be, as independent legal persons. The liabilities of Yantai SASAC and the Yantai Municipal Government are limited to its equity contribution in the Guarantor. If the Issuer or the Guarantor does not fulfil their respective obligations under the Bonds, the Trust Deed or the Guarantee (as the case may be), the Bondholders will only have recourse against the Issuer and the Guarantor, but not Yantai SASAC, the Yantai Municipal Government or any other PRC governmental entity.

The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Group's financing and business model and 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.

Yantai SASAC and the Yantai Municipal Government may exert significant influence over the Group, and may not act in the best interests of the Group.

The Guarantor is wholly-owned by Yantai SASAC, which is a government organ of the Yantai Municipal Government. Yantai SASAC participates in and monitors the Group's operation from two aspects: first, in terms of major issues, Yantai SASAC supervises and approves the Guarantor's strategic planning, major restructuring and capital operations, and reviews the decision-making process of other subsidiaries of the Group; second, in terms of appraisals, Yantai SASAC and other municipal units, through a comprehensive system, coordinate the performance appraisal on the Group and the Guarantor's directors and supervisors. Because of the involvement of Yantai SASAC in the affairs of the Group, the Group may not be able to make decisions, take actions or invest or operate in businesses that are always in its best interests or that aim to maximise its profits. The ownership and close monitor of the Guarantor by the Yantai Municipal Government does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer, or the Guarantor.

In addition, Yantai SASAC and the Yantai Municipal Government may also exert significant influence on the Group's major business decisions and strategies, including the scope of the business operations, investment decisions and dividend policies. There is no assurance that Yantai SASAC and the Yantai Municipal Government would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, Yantai SASAC may influence the Group's business and strategies in a manner beneficial to Yantai City as a whole but not necessarily in the Group's best interests. The Yantai 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 condition, results of operations and prospects.

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

As a state-owned enterprise wholly-owned by Yantai SASAC, the Group regularly receives financial support from Yantai SASAC and the Yantai Municipal Government, such as favourable policies, government grants and subsidies, asset transfers and capital injections. For the years ended 31 December 2018, 2019, 2020 and the six months ended 30 June 2020 and 2021, the Group received government grants of RMB1,094.7 million, RMB997.3 million, RMB959.4 million, RMB521.6 million and RMB360.1 million, respectively. However, there is no assurance that Yantai SASAC and the Yantai Municipal Government will continue to provide support to the Group or that the existing or other types of government support will not be adjusted or terminated due to any change in government policies or otherwise. In addition, as part of the state-owned enterprise reform in response to PRC government policies, the Group may in the future undergo mixed ownership reforms which could lead to the possible dilution of the shareholding percentage of Yantai SASAC. There is no assurance that the Group will continue to receive favourable incentive or government support, if any, after the possible dilution of the shareholding of Yantai SASAC. If any favourable incentive or government support currently available to the Group is reduced or discontinued in the future, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected.

The Group operates its 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 Guarantor has a number of subsidiaries operating in different industries. As at 30 June 2021, the Group held four publicly-listed subsidiaries in the PRC. Through these subsidiaries, the Group engages in chemical business, energy equipment sales and services, high performance fibres production, commodities trading and other business operations. As such, the Group is exposed to risks associated with conducting multiple businesses and operating through a large number of subsidiaries.

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 Guarantor's subsidiaries requires an effective management system. As the Group continues to grow its businesses and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system. In addition, the Group's revenue is concentrated at the subsidiary level of the Guarantor. However, the Guarantor's operation and management of these subsidiaries are subject to a limited extent, namely, by participating in their decision-making process for key projects, reviewing their development strategies and investment plans, and appointing and conducting annual appraisals on the directors and supervisors of the subsidiaries. Therefore, there can be no assurance that the Guarantor may operate and manage these subsidiaries in an effective manner, or the Guarantor may be aware of the risks associated with the operations of these subsidiaries in a timely manner and take effective measures to mitigate the adverse impact resulted from such risks. Failure to successfully manage the Guarantor's subsidiaries could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 30 June 2021, the Group's total interest-bearing indebtedness (comprising short-term borrowings, non-current liabilities due within one year (interest-bearing portion), other current liabilities (interest-bearing portion), long-term borrowings, bonds payable and long-term payables (interest-bearing portion)) amounted to RMB98,860.3 million, representing 43.9 per cent. of the Group's total assets as at the same date. Out of the Group's total interest-bearing indebtedness as at 30 June 2021, RMB60,413.5 million would become due within 12 months. In addition, as at 30 June 2021, the total amount of the Group's outstanding guarantees for third parties was approximately RMB1,220.0 million, representing a negligible per cent. of the Group's total assets as at the same date.

Significant indebtedness could impact on 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;
- 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.

As at 30 June 2021, RMB973.3 million of the Group's borrowings was secured by assets, representing 1.0 per cent. of its total interest-bearing indebtedness as at the same date. The Group may continue to incur secured borrowings from time to time. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. If the Group is unable to service its secured debt on a timely basis, the assets provided as security for such debt may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

Moreover, the Guarantor has pledged shares in certain subsidiaries to secure some of its banking facilities. The Group provided guarantee to Yantai International Airport Group Co., Ltd. (煙臺國際機場集團有限公司) and Yantai Chaoshui Airport Engineering Construction Co., Ltd. (煙臺潮水機場工程建設有限公司) for the rental costs of RMB800.0 million payable to Dao Sheng International Financial Leasing Co., Ltd. (道生國際融資租賃股份有限公司). The guarantee period is from 6 January 2016 to 6 January 2024. Meanwhile, the Group pledged 12.0 per cent. of the equity interest in Yantai Changyu Group Co., Ltd. (煙台張裕集團有限公司) as security for such payment. For details on the share pledge, please refer to "note IX. Commitments or Contingencies – 2. Contingencies" to the Guarantor's consolidated financial statements as at and for the six months ended 30 June 2021. If the Group defaults on such banking facilities, the lenders may foreclose shares in subsidiaries the Guarantor pledges, which may cause the Guarantor to lose control over such subsidiaries and may adversely affect the Group's business, prospects and financial condition.

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

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, results of operations and prospects.

Certain financing contracts entered into by members of the Group may contain operational and financial covenants that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security over its assets or granting guarantees, or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. The ability of the Guarantor and its subsidiaries (as borrower) to comply with such covenants may be affected by events beyond their control. Such restrictive covenants may also adversely affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities it 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 ability of the Issuer or the Guarantor to satisfy its obligations under the Bonds, the Guarantee or other debt.

If the Guarantor or any of its relevant subsidiaries is unable to comply with the restrictive covenants in its current or future debt, a default under such debt may occur. In such event, the creditors may terminate their commitments to the Guarantor or its subsidiaries, accelerate the outstanding 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 Guarantor or its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Guarantor or any of its subsidiaries under any of other debt may cause the acceleration of not only the defaulted debt but also those debt containing cross-acceleration or cross-default provisions, including the Bonds, or result in a default under these debt. There is no assurance that the Guarantor or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or at all, or that the assets and cash flow of the Guarantor or its subsidiaries would be sufficient to repay all of their respective debts in full as they become due, or that the Guarantor or its subsidiaries would be able to secure alternative financing. Even if the Guarantor and its subsidiaries could secure alternative financing, there is no assurance that it would be on terms that are acceptable to the Guarantor or its subsidiaries.

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

The Group's business requires and will continue to require substantial capital expenditures. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's capital expenditures were RMB11,128.8 million, RMB18,802.1 million, RMB32,954.0 million, RMB13,220.5 million and RMB16,446.0 million, respectively. The Group has historically satisfied its capital requirements with cash flow primarily generated from its operating activities, bank loans and other borrowings, as well as equity contributions from its sole shareholder.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business plans, changes in general market conditions, the regulatory environment, governmental policies and the competition in certain sectors in which the Group operates. Any material adverse change in these factors may cause the Group to experience a capital shortfall. There is no assurance that the Group's operations are or will be able to generate sufficient cash flow to satisfy its cash need at all times, if at all.

Insufficient cash flow generated from the Group's operating activities will increase the reliance on external financing. As at 30 June 2021, the Group had total credit facilities of approximately RMB162.6 billion, of which approximately RMB75.3 billion had not been utilised. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no assurance that the Group will be able to procure sufficient funds in a timely manner or to obtain external financing on commercially acceptable terms, or at all. In these cases, the Group may not be able to fund the capital expenditures necessary to implement its business plans and strategies, which may in turn have a material and adverse effect on its business, financial condition, results of operations and prospects.

The Group's accounts receivable and other receivables may affect its liquidity and restrict its business activities.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's accounts receivable amounted to RMB5,481.8 million, RMB6,172.2 million, RMB8,620.7 million and RMB13,543.8 million, respectively, representing 4.9 per cent., 4.8 per cent., 4.7 per cent. and 6.0 per cent., respectively, of the Group's total assets as at the corresponding dates. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's other receivables amounted to RMB4,659.8 million, RMB6,369.3 million, RMB6,442.3 million and RMB6,751.4 million, respectively, representing 4.1 per cent., 4.9 per cent., 3.5 per cent. and 3.0 per cent., respectively, of the Group's total assets as at the corresponding dates. The other receivables mainly represent amounts due to the Group by local government authorities and the Group's related parties.

In addition, although the Group made provisions for overdue accounts receivable and other receivables as a reserve against the future recognition of certain accounts receivable and other receivables as bad debt, there is no guarantee that the Group's customers, local government authorities or related parties will be able to make payment in a timely manner, if at all, or that the provisions made by the Group is sufficient to reflect the loss suffered by the Group if customers, local government authorities or related parties fail to make due payment according to the contracts. If any of these events occur, the Group's liquidity, business, financial condition or results of operations may be materially and adversely affected.

The Group's interest may be harmed in related party transactions with unfavourable terms.

The Group, as a large-scale conglomerate engaged in various businesses, has a large number of related parties. In the ordinary course of its various business activities, the Group conducts certain transactions with related parties at arm's length. For details, see "note VIII. Related Parties and Related Party Transactions – 5. Related Party Transactions" of the Group's consolidated financial statements as at and for the six months ended 30 June 2020. If the Group conducts material transactions with related parties on terms less favourable to it than the market or if there is any significant misappropriation of the Group's funds or other irregularities, the Group's business, results of operations and financial condition may be materially and adversely affected.

If the Group fails to manage its inventory effectively, its results of operations and financial condition may be materially and adversely affected.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the Group's inventories amounted to RMB10,451.1 million, RMB10,029.0 million, RMB9,986.5 million and RMB17,280.5 million, respectively, representing 9.3 per cent., 7.7 per cent., 5.4 per cent. and 7.7 per cent., respectively, of the Group's total assets as at the corresponding dates. The Group's inventories mainly comprise raw materials, semi-finished goods and finished goods. Frequent new product roll-outs and price fluctuations in the raw materials that the Group procures and/or the finished goods that the Group produces may result in a decline in the net realisable value of the Group's inventory and adversely affect the Group's inventory management, which may in turn materially and adversely affect the Group's financial condition and results of operations.

The Group manages its inventory of raw materials, semi-finished goods and finished goods based on its rolling forecasts of customer demand, and orders raw materials in advance of product announcements and deliveries based on such forecasts. However, due to a number of factors, including macroeconomic and microeconomic factors beyond the Group's control, it is difficult to accurately estimate market demand for the Group's products and to manage the Group's inventories accordingly. While the Group must maintain sufficient inventory to operate its business successfully and meet market demand, the Group also strives to avoid excess inventory to reduce inventory carrying costs. Changing demands of end-user customers, inaccurate demand forecasts and time lag between when the raw materials are ordered from the Group's suppliers and when the Group's finished products are sold could expose the Group to inventory risk. The Group carries a wide variety of inventory and must maintain a reasonable inventory level of its products. If the Group does not maintain a sufficient inventory to fulfil orders, the Group may lose orders. On the other hand, excessive inventory level could lead to additional inventory carrying cost. If the Group fails

to accurately anticipate customer demand, manage its supply of such raw materials and finished goods and react quickly to market changes, the Group may carry excess or obsolete raw materials or finished goods which may require write-downs if their net realisable value falls below the Group's carrying cost. Such write-down could adversely affect the Group's results of operations and financial condition.

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

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. The occurrences of epidemics, such as the COVID-19 pandemic or the past occurrence of Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A or H1N1) or H7N9 avian flu, depending on their scale, have caused and may continue to cause different degrees of damage to the national and local economies in the PRC.

In particular, the outbreak of COVID-19 caused delays in the resumption of local business in the PRC after the Chinese New Year holiday in 2020. The COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 may further create negative economic impact and increase volatility in the PRC and global markets and could result in a widespread health crisis and restrict the level of business operations in the affected areas, which may in turn adversely affect the Group's business.

The administrative actions taken by local governments in the PRC to control the spread of COVID-19 pandemic, including travel restrictions, quarantines and business shutdowns, may have an adverse impact on the Group's business operation. In particular, the Group purchases certain raw materials including pure benzene, coal, liquefied petroleum gas and salt from a limited number of suppliers. A significant disruption to the manufacturing or sourcing of raw materials for any reason, including the spread of COVID-19 pandemic, could interrupt the Group's raw materials supply and, if not remedied timely, could have an adverse impact on the Group's business, results of operations and financial condition. The spread of COVID-19 pandemic has also disrupted logistics operations in the PRC and across the world, which could cause delivery delays of raw materials sourced from suppliers or the products produced by the Group and could adversely affect the Group's results of operations. The Group may also experience reduced demand if the production facilities of the Group's customers were closed for an extended period to implement the PRC government's measures to curb COVID-19, may experience shortages of other necessary materials or slow production of their end products due to reduced customer demand for their end products resulting from the outbreak of COVID-19 or the weak economic outlook. Should the disruption to the operations or its suppliers or customers extend beyond a specified period, it may materially and adversely affect the Group's results of operations and financial condition. In addition, any further disruption to the Group's business operations may negatively affect its liquidity and access to capital. In addition, if any of the employees of the Group are affected by COVID-19, it may cause a temporary closure of the facilities or construction sites of the Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations and financial condition of the Group. Given the high uncertainties associated with whether the COVID-19 pandemic could be contained globally, it is difficult to predict how long these conditions will exist and the extent to which the Group may be affected. Should the disruption to the Group's business operation extend beyond a specified period, it may materially and adversely affect the Group's results of operations and financial condition and may also cause reputation damage to the Group. Any further disruption to the Group's business operation may negatively affect its liquidity and access to capital.

Moreover, the PRC has experienced natural disasters such as 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. Since the beginning of 2010, there have occurred severe droughts in south-western China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business.

The Group operates its chemical business in a highly competitive industry and faces competition from large, well-established producers as well as new entrants across each of the regions in which the Group operates, who may compete more effectively than the Group and may affect the Group's market share and profit margins.

The Group operates its chemical business in a highly competitive landscape characterised by significant regional differences in terms of factors such as selling prices, products, product properties, quality, logistics, availability, reliability and innovation. The Group competes against large international producers as well as smaller domestic producers.

Several factors can influence the price at which a competitor is willing to supply its products, including access to favourably priced raw materials and government subsidies to which the Group does not have access. Furthermore, state-owned or state-subsidised competitors may take actions such as adding capacity and lowering their prices to a level below that which is profitable for the Group regardless of their production cost and prices.

The Group's ability to maintain or increase its profitability is dependent upon its ability to offset decreases in the prices and profit margins of its chemical products by improving production efficiency and volume sold, shifting to customised products with higher profit margins as well as improving existing products and their applications through innovation, all of which competitors may do better and more cost efficiently than the Group. Competitors may be more successful at meeting the product characteristics required by customers and producing more cost effectively.

Competition may also increase due to new entrants or companies that consolidate operations and thereby achieve greater scale. Some of the Group's competitors have or may develop greater production capacity than the Group and may have greater financial resources. Those competitors may also be able to maintain significantly greater operating and financial flexibility than the Group. As a result, those competitors may be able to withstand volatility within the chemical industry, changes in the prices of raw materials and energy and adverse economic conditions. The Group may also experience increased competition from companies that offer products based on alternative materials, technologies and processes that may be more competitive or better in terms of price or performance, causing the Group to lose customers, which could result in a decline in its sales and volume sold as well as its existing market share and, in turn, could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's revenue and results of operations have historically been dependent on its chemical business, and are likely to remain largely dependent on the performance of its chemical business in the near future.

The Group has engaged in chemical business through its publicly-listed subsidiary Wanhua Chemical. The Group's revenue has historically been dependent on its chemical business. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's chemical business was RMB72,481.4 million, RMB67,783.0 million, RMB73,297.5 million, RMB30,738.0 million and RMB67,574.1 million, respectively, representing 90.3 per cent., 88.7 per cent. 86.9 per cent., 89.0 per cent. and 86.4 per cent., respectively, of the Group's total revenue for the same periods. In the near future, the Group expects that a large part of its revenue will remain dependent on the performance of its chemical business. Chemical business is susceptible to deterioration in economic and financial condition. Any significant slowdown in the national or global economy may result in fluctuations in the price of chemical products produced by the Group, which could materially impact the Group's business, financial condition, results of operations and prospects. The Group's financial condition and results of operations may be materially and adversely affected if the Group is not able to maintain sustainable growth in its chemical business in the near future.

The chemical industry is characterised by periods of supply and demand imbalances due to production overcapacity that will result in periodic downward pressure on prices and short-term price volatility.

The chemical industry, due to forces of supply and demand, would inherently encounter cycles of imbalances due to production overcapacity. The cycles often occur on short notice and are in part caused by the capacity additions of new world-scale production facilities or the expansion of existing production facilities, which are necessary to create or sustain economies of scale, and the decline of industry-wide utilisation rates that often follows capacity additions.

Any oversupply may lead to a decline in capacity utilisation rates of the entire industry and, in particular, the Group, which may negatively impact profit margins due to the high fixed cost base of production facilities. The material adverse effects of supply and demand imbalances can be significantly exacerbated by economic conditions.

In addition, the construction of new production facilities, or the expansion of capacity at existing production facilities, often begins years in advance of that capacity entering operation. Accordingly, there is a risk that such new capacity eventually enters operation when economic conditions are weak which may further depress prices and profit margins of certain chemical products.

Moreover, other factors largely beyond the Group's control, such as the actual or perceived changes in levels of supply and demand, the availability and cost of substitute materials and inventory maintained by competitors, all influence product prices and may lead to short-term price volatility and a downward pressure on prices, which may ultimately decrease the Group's profit margins. Levels of supply in the industry segments that outpace demand for products, such as those produced by the Group, can materially adversely affect the Group's ability to generate profit and materially adversely affect the Group's business, financial condition, results of operations and prospects.

Fluctuations in the average selling prices of the Group's chemical products may adversely affect its results of operations.

The average selling prices of most of the Group's chemical products are subject to fluctuation. Fluctuations in the average selling prices of the Group's chemical products are primarily caused by intense market competition, changes in raw material costs and other factors that are beyond the Group's control. The Group cannot assure that it will not continue to experience volatile or declining average selling prices for its products in the future. If the Group cannot increase its sales volume to compensate for the loss of revenue caused by volatile or declining average selling prices for the Group's chemical products, the Group's results of operations could be adversely affected.

The manufacturing processes for the Group's products, in particular its chemical products, are complex and dangerous and the Group may experience accidents, including ones resulting in fatalities, in its manufacturing process.

The manufacturing of the Group's products, in particular its chemical products, involves complex, precise and often dangerous processes, requiring production in tightly controlled environments. As a result, the Group's operations are subject to manufacturing risks, including, among others:

- the failure to achieve an acceptable success rate in the manufacture of the Group's products. The likelihood of facing such difficulties is higher when transitioning to new methods of production, which may occur from time to time during various stages of the manufacturing process. The interruption of certain processes or the failure to achieve acceptable manufacturing yields at any of the Group's facilities could adversely affect the Group's business and results of operations;
- risks associated with the use of hazardous, toxic or flammable raw materials and intermediate products. The storage of such materials near the Group's production facilities and the handling of these materials in the production process pose inherent risks. An accident could materially disrupt

the Group's manufacturing operations and could lead to death or personal injuries. Any such accident could have a material adverse effect on the Group's business operations and financial condition. Any such accident may also subject the Group to adverse publicity and damage to its brand name and reputation. Due to the public's growing awareness of and concern about safety and environmental protection, the risk of such accident may result in social demonstrations against the building and operation of the Group's facilities, which may further disrupt the Group's business operations, negatively affect its image and reputation and materially and adversely affect its business and financial condition;

- the consumption of substantial amounts of electricity in the Group's production processes. In order to reduce interruptions and to facilitate a continuous source of electricity, the Group maintains backup power generators and a dynamic uninterrupted power system to power machinery and equipment until they can be safely turned off or switched to a backup electricity supply. Despite taking such measures, the Group cannot assure you that power shortages would not adversely affect its results of operations and financial condition; and
- certain inherently dangerous activities undertaken by in the course of the Group's business operations that expose it to a number of additional risks, including the risk of fire, explosion, leakage, release of toxic fumes or other unexpected or hazardous conditions causing personal injuries or death, property damage, environmental damage or interruption of operations.

Furthermore, the Group's business operations could be adversely affected if it is not able to overcome manufacturing problems, secure access to advanced manufacturing process technologies or maintain necessary safety measures in a timely and cost-effective manner.

Any interruption in the operations of its facilities may harm its operating performance.

The Group's facilities require periodic shutdowns to perform major maintenance. These scheduled shutdowns of facilities result in decreased sales and increased costs in the periods in which a shutdown occurs and could result in unexpected operational disruptions in future periods as a result of changes to equipment and operational and mechanical processes made during the shutdown period. Any prolonged disruption in operations at any of the Group's production facilities could cause significant lost production, which would have a material adverse effect on the Group's business, financial condition, results of operations and cash flow. In addition, some of the Group's production facilities are highly technical and require specialised maintenance and inspections to ensure they remain operational.

The Group's ability to shift production or sourcing to other facilities during such maintenance is limited at such facilities. If a production facility was shut down temporarily, the Group would likely suffer production delays and, to the extent that facility was used for the production of input material for its downstream products, the Group could incur additional costs in sourcing alternative supplies, either of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group incurs significant expenses to maintain its manufacturing equipment.

The Group regularly incurs significant expenses to maintain its manufacturing equipment and facilities. The machines and equipment that the Group uses to produce its products are complex, have many parts and may be run on a continuous basis. The Group must perform routine maintenance on its equipment and will have to periodically replace a variety of parts. In addition, certain manufacturing equipment and facilities of the Group may be affected by aging and may be increasingly more expensive to service and may incur significant expenses when they are eventually replaced. Moreover, there is no assurance that the routine maintenance carried out by the Group on its equipment and facilities will guarantee the effective and efficient performance of such equipment, as unexpected breakdowns of these equipment, whether due to human error or other unforeseeable factors, may not only cause delays to the Group's production but may also incur additional costs on top of the existing maintenance expenses, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Fluctuations in the prices of raw materials may have a material adverse effect on the Group's results of operations.

The cost of raw materials constitutes a large portion of the Group's operating costs for its business operations, including chemical business, energy equipment sales and services and high performance fibres production. The nature of the Group's business operations, in particular its chemical business, requires it to obtain sufficient quantities of high quality raw materials, most of which are petrochemical derivatives such as pure benzene and liquefied petroleum gas, in a timely manner and at acceptable prices. As a result, the Group's operations are vulnerable to changes in the supply and price of raw materials for its business operations. The extent of the impact of price fluctuations on the Group's total sales volume and results of operations depends primarily on whether the Group is able to pass on increases in raw materials prices to its customers through higher selling prices without significant delays or to maintain its selling prices despite decreases in raw materials prices. The Group's ability to do so primarily depends on the conditions of supply and demand in the industry and resulting industry capacity utilisation as well as competition. An unfavourable balance between supply and demand or decreasing demand and utilisation of production capacity in the industry will reduce the Group's ability to maintain its selling prices or to delay decreases in its selling prices despite decreases in raw materials prices.

As the Group's primary raw materials for chemical business are petrochemical derivatives, their prices are typically determined based on the price of crude oil, which generally creates the floor for prices of petrochemical derivatives, and the supply and demand dynamics for the relevant raw materials. Political instabilities, wars or other conflicts with oil producing or refining countries could negatively affect the supply of oil and result in a significant increase in prices for oil and petrochemical derivatives.

Any significant increase in the prices of raw materials could materially affect the Group's business, results of operations and financial condition if such price increases cannot be passed on to customers by way of higher selling prices. Even if the Group is able to pass on raw material price increases to customers, the increase in selling prices may result in decreased demand and lower sales volume as customers reduce their purchases or shift to substitute products, which would have a material adverse effect on the Group's results of operations.

The Group is dependent on the availability of certain raw materials, and any disruptions in the supply or logistics chain may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's production processes, including the production of chemical products, energy equipment and high performance fibres, are dependent on the availability and timely delivery of raw materials needed for its production. The continuous nature of the Group's production processes, the desire to keep inventories at a minimum level and the difficulty of storing hazardous, gaseous, bulky and packed materials increase the importance of a well-functioning supply and logistics chain. An unfavourable change in any of the following could have a material adverse effect on the Group's business, results of operations and financial condition:

- the Group's ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which the Group purchases products from suppliers, including applicable exchange rates, transport costs and other costs, the Group's suppliers' willingness to extend credit to finance its inventory purchases and other factors beyond its control;
- the financial condition of the Group's suppliers;
- the Group's suppliers' non-compliance with applicable laws, trade restrictions and tariffs; or
- the Group's suppliers' ability to manufacture and deliver outsourced products according to the Group's standards of quality on a timely and efficient basis.

If the Group's relationships with any of the key suppliers deteriorates due to the factors set out above or any other reason, the Group may not be able to quickly or effectively replace such suppliers, which may have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, any significant disruptions in the logistics chain that transports the Group's raw materials and certain of its by-products is likely to result in production interruptions, a loss of customers, damage claims and significant downstream consequences. Interruptions to or failures in the logistics services could prevent the timely or proper delivery of raw materials to the Group, which would harm the business the Group operates. These interruptions or failures may be due to events that are beyond the Group's control or the control of any of these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labour unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs.

Any disruptions to the operations of the Group's suppliers or logistic service providers could limit its ability to obtain sufficient quantities of such raw materials of an acceptable or comparable quality, or at an acceptable price. Any inability to obtain high-quality raw materials may force the Group to pay higher prices to obtain the necessary raw materials from other sources and it may not be able to increase prices for its products to offset the higher raw materials costs. Although the Group has not experienced any significant difficulties in obtaining raw materials to satisfy its production requirements in the past, the Group cannot assure that it will be able to continue to meet its raw materials requirements in the future. Any of such disruptions in the Group's supply or logistic chains could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Volatility in energy prices and factors impacting energy supply and prices could have a material adverse effect on the Group's business.

The Group requires large quantities of energy from various sources for use in its production operations. The Group's energy costs are affected by various factors, including the availability of supplies of particular sources of energy, energy prices and regulatory decisions. In the past, energy prices in the global market been volatile. Such volatility may increase as a result of political instability. The Group's main production facilities for chemical business are located in the PRC and Hungary, and are therefore subject to the developments regarding energy prices in these countries, such as governmental influence on the pricing mechanics or regulation to promote the usage of renewable energies.

Any significant increase in energy prices, transportation costs, grid fees or taxes associated with the supply of energy would increase the Group's operating costs and, thus, may negatively affect its results of operations if it is unable to pass the increased costs on to customers. Any inability or delay in passing on increases in energy costs to the Group's customers or any interruption or shortage of energy supply may materially adversely affect the Group's business, financial condition, results of operations and prospects. Significant increases in energy prices in certain regions that the Group is unable to pass on to customers, may result in a loss of competitiveness of any of the Group's production facilities in such regions, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, recent electricity shortages in the PRC has negatively affected production activities in Eastern China, especially to those entities relying heavily on electricity supplies to carry out their operations. Given that the duration of such shortages remains uncertain, energy prices may become increasingly volatile and may continue to be so for the duration of the electricity shortages in the PRC.

The Group's energy equipment sales and services business may be adversely affected if the Group fails to introduce new products and services on a timely basis to adapt to rapidly evolving customer needs and advancements in technology, and the investments in research and development may not yield the expected results.

The Group competes in highly competitive energy equipment market characterised by iterative technologies, evolving industry standards and continual improvements in performance characteristics and product features. To compete effectively, the Group must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products and services. The success of new product and service introduction depends on a number of factors, such as timely and successful completion of development efforts, successful production ramp-ups and market acceptance of the new products and services.

Consumer demands, preferences and lifestyle trends in the PRC may change from time to time and depend upon various factors, including, among other things, global trends, consumption patterns, consumer confidence and other factors beyond the Group's control. The Group's success in turn also depends on its ability to anticipate, identify and respond in a timely manner to these trends.

Advancements in technology, the introduction of new products and changing consumer demands, preferences and lifestyle trends typically lead to rapid declines in volume for products made with older technologies and their loss of competitiveness or even obsolescence. If the Group is unable to compete successfully by introducing competitive new products that meet the demands and preferences of customers, the Group's business, results of operations and financial condition would be adversely affected. As a result, the Group seeks to continuously design new products, upgrade existing products, develop new technologies, and invest in the marketing of new products and solutions.

These investments require significant management time and a high level of financial and other commitments to research and development, and the Group may need to increase expenditures on research and development in response to changes in consumer demand. Further, there can be no assurance that the Group's investments of research and development resources will yield the desired results. The Group's business, results of operations and financial condition may be adversely affected if it fails to successfully anticipate and react in a timely manner to changes in customer preferences or if its investments in research and development do not result in successful product introductions.

The Group is highly dependent on the development of the markets in which the Group's customers operate, in particular, the transportation, wood, furniture, electronics and chemicals markets, which are cyclical.

The Group is highly dependent on demand in the markets in which the Group's customers operate, in particular, the transportation, wood, furniture, electronics and chemicals markets, which together account for a majority of the Group's total sales. A small portion of the Group's total sales are attributable to sales in the sports, cosmetics, health, commercial properties, clothing and other markets. Since the Group's business operation and financial condition rely on the performance of its chemical business, any material decline in demand in one of the Group's core markets in which its customers operate that results in falling production volume of its chemical products will decrease the Group's earnings.

The markets in which the Group's customers operate are cyclical in nature. However, the level of cyclicity differs by market and region. The level of activity in the customers' markets is generally affected by economic developments in the PRC and abroad, such as GDP growth and disposable income, as well as a wide range of other factors beyond the control of the Group and its customers.

Customers of chemical products such as MDI, TDI and polyether polyols typically adapt their procurement activities to the expected growth rates in their relevant market. In an actual or expected economic downturn, customers normally reduce their working capital and their inventories, which can lead to a significant decline in the Group's sales volume. In times of prosperity, customers tend to increase their inventories, leading to increased demand for the Group's products.

The Group bases its projections of future developments in supply and demand in each of the customers' markets on publicly available sources and internal estimates. Such future market developments, including expected total sales and results of operations, are difficult to forecast because of the cyclical nature of the markets in which the Group's customers operate and other factors beyond the Group's control. Furthermore, results of operations of the Group's chemical business are highly correlated with volume, prices, raw materials and energy costs as well as production capacity utilisation and production facilities, all of which are difficult to project and could materially adversely affect the Group's ability to predict future financial results and capital expenditures accurately. A decline in demand in any of the customers' markets, even during periods of strong general economic conditions, may materially adversely affect the Group's business, financial condition, 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 relies on some major suppliers and customers for its commodities trading business. 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 Group's commodities trading business is exposed to declines in the current and expected volume of products' supply or demand, product prices and deterioration in economic and financial condition.

The current and expected volume of products' supply and demand which the Group has traded vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in markets which the commodities are used, technological developments (including 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 commodities or increase of volume of commodities in the market could materially adversely impact the Group's business, results of operations and earnings in its commodities trading business. In addition, a decline in economic and financial condition 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 commodity price exposures and/or a reduction in commodities available for the Group; and although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity price could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms. See *"– The Group is subject to counterparty credit and performance risk"* for further details.

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 year ended 31 December 2020 and the six months ended 30 June 2021, the gross profit margin of the Group's commodities trading business was 1.0 per cent. and 0.8 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.

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 chemical business, energy equipment sales and services as well as high performance fibres production are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licences and permits from different governmental authorities. It takes time to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in granting the approvals, licences, permits and certificates necessary for the Group to conduct its business. As at the date of this Offering Circular, the Group is still in the process of obtaining certain approvals and permits in relation to some of its projects. Failure to obtain these approvals and permits in a timely manner or maintain the necessary approvals, licences or permits could result in delay or suspension of business operations, and may subject the relevant members of the Group to regulatory or administrative penalties.

In addition, the PRC governmental authorities may amend existing regulations or promulgate new regulations from time to time. The Group may encounter problems in obtaining, maintaining or renewing the permits, licences, certificates and government authorisations 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 of relevant business permits, licences and certificates are fulfilled, governmental authorities also conduct regular and special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities during such investigations or inquiries, the Group's permits, licences and certificates may be suspended or revoked, and it may become subject to fines or other forms of penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Unauthorised or unlicensed use of the Group's patents and trademarks may adversely affect the Group's business, results of operations and financial position.

The Group's operations involve substantive applications of its patented technologies and trademarks. The Group seeks to protect its intellectual property rights by a combination of patent, copyright, trademark protection and contract laws. However, despite the Group's precautions, third parties may use such intellectual property without the Group's authorisation or appropriate licensing. The validity, enforceability and scope of protection of the Group's intellectual property are uncertain, and as relevant legal regimes are still evolving in the PRC, protection and enforcement of the Group's intellectual property rights may not be as effective as those in other jurisdictions with established legal regimes. In addition, policing and enforcing unauthorised or unlicensed use of the Group's intellectual property is difficult and the Group may have to resort to litigations to enforce its intellectual property rights which may incur substantial costs that might not guarantee timely enforcement and protection. Any unauthorised or unlicensed use of the Group's intellectual property could have a material adverse impact on the Group's business, results of operations and financial positions.

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

A material fluctuation in interest rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Since the outbreak of the global financial crisis in 2008, the PBOC has progressively lowered the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of the PRC's economy. On 20 July 2013, pursuant to the Notice on Further Promoting the Market-oriented Interest Rate Reform (中國人民銀行關於進一步推進利率市場化改革的通知), the PBOC abolished the regulation of the benchmark lending rates for financial institutions and began allowing lending rates to be determined by financial institutions pursuant to market principles, known as the loan prime rate (the "LPR"). On 28 December 2019, the PBOC issued the Announcement on Matters Concerning the Shift of the Pricing Benchmark for Existing Floating Rate Loans to the LPR (存量浮動利率貸款的定價基準轉換為LPR有關事宜公告), which provides that financial institutions shall not be allowed to enter into floating rate loan contracts based on the benchmark lending rates after 1 January

2020, and, in principle, the shift of pricing benchmark for existing floating rate loans from the benchmark lending rates to the LPR should be completed before 31 August 2020. As at the date of this Offering Circular, all of the Guarantor's floating rate bank loans bear interest based on the LPR. The Group has substantial indebtedness outstanding. As at 30 June 2021, the Group's total interest-bearing indebtedness (comprising short-term borrowings, non-current liabilities due within one year (interest-bearing portion), other current liabilities (interest-bearing portion), long-term borrowings, bonds payable and long-term payables (interest-bearing portion)) amounted to RMB98,860.3 million, representing 43.9 per cent. of the Group's total assets as at the same date. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group's financial expenses were RMB1,188.7 million, RMB1,161.7 million, RMB1,728.5 million, RMB651.7 million and RMB1,061.1 million, respectively. Although the Group's financial condition and results of operations may benefit from the current low-interest environment, there is no assurance that this 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 is subject to counterparty credit and performance risk.

Non-performance by the Group's suppliers and customers may occur in a range of situations, such as:

- a significant reduction in prices of products could result in customers being unwilling or unable to honour their contractual commitments to purchase from the Group at pre-agreed prices;
- a significant increase in prices of raw materials and energy could result in suppliers being unwilling to honour their contractual commitments to sell to the Group at pre-agreed prices; and
- suppliers may take payment in advance from the Group and then find themselves unable to honour their delivery obligations due to financial distress or other reasons.

The Group relies on third parties to source raw materials. Any disruption in the supply of raw materials, which may be caused by factors outside the Group's control, could adversely affect the Group's business, results of operations, financial condition and prospects.

The Group seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, such as bank drafts, letters of credit or commercial bills. Whilst these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment could negatively impact the quality of these exposures. No assurance can be given that the Group's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of counterparties to fulfil their contractual obligations in the future. Such failure could have an adverse impact on the Group's business, results of operations and financial condition.

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

The Group may from time to time expand its businesses to new industries or markets in which it has limited operating experience. For example, the Group started its commodities trading business in September 2019. 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 such new business. The Group's ability to successfully grow its new businesses and implement its expansion strategy depends on a variety of factors, including its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies, some of which may be out of the Group's control. There is no assurance that the Group will be able to successfully grow its businesses, implement its expansion strategies, manage or integrate any newly-acquired operations with the Group's existing business operations. Failure by the Group to grow new businesses or implement its expansion strategies could have a material adverse effect on its business, financial condition, results of operations and prospects.

Labour shortages, labour disputes or increases in labour costs of the Group as well as implementation of PRC employment regulations could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Many of the Group's business operations 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.

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 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 average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the 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.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013–2020 (國民旅遊休閒綱要2013–2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the 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.

Further, 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 could directly or indirectly prevent or hinder the production progress, and, if not resolved in a timely manner, could lead to delays in producing the Group's products, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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 products. 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 employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the Group's products will always meet the required standard. Any failure or deterioration of the Group's quality control systems could result in defects in its products, 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 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 products it produces;
- work-related personal injuries;
- on-site production accidents;
- production 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 that the Group believes are consistent with its risk of loss and the customary practices in the relevant industry. However, there are also certain types of losses such as 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. Even if certain risks are covered by the policies maintained by 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 its operational risks. To the extent that the Group suffers losses or damages that are not covered by insurance or that exceed the limits 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 may 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 safety regulations or requirements.

In addition, PRC laws and regulations are constantly evolving. There is no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. Given the nature of operations carried out by the Group, additional or stricter environmental, safety and health laws and regulations may significantly hinder the Group's ability to continue carry out certain operations on its usual scale and as a result the Group may be forced to downscale or cease its operations in relation to these areas. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial condition 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 Guarantor's directors and senior management. If the Guarantor 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.

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 invests or operates. These key personnel include experienced finance professionals, product manufacturing 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 condition, results of operations and prospects. 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 business expansion. Furthermore, as the Group expands its business and 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 these events could lead to unexpected losses to the Group and adversely affect its revenue and financial condition.

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

Financial risks are inherent in the Group's businesses. Although policies and procedures are in place to identify and report on a timely basis the liquidity, interest rate and credit risks arising from the activities of its businesses, there is no assurance that these systems and procedures will prevent any loss that affects the Group's financial condition. In addition, many of the Group's current financial risk management systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the Group's risk management systems and the information generated therefrom depends on, inter alia, the configuration and design of the systems, the built-in system control features and the internal control measures surrounding them. Any failure of internal control could have a material adverse effect on the Group's business, results of operations and financial condition.

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

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn 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 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, money laundering or suspicious transactions or improper activities in its business operation 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 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 tenants, suppliers and purchasers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's operating costs 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 in the manufacturing of its products. There is 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 materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Fluctuations in exchange rates may have an adverse effect on the Group's business, financial condition and results of operations.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily median trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC and hit record lows since 2008 against the U.S. dollar in 2016. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in 2018

and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above seven per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. For more details, see "Exchange Rates". With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the median exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant depreciation of the Renminbi may adversely affect the value of the Group's businesses. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the business, financial condition and results of operations of the Group.

Changes in accounting standards may affect the comparability of the Group's financial statements.

In preparing the Guarantor's consolidated financial statements as at and for the year ended 31 December 2019, certain of Guarantor's listed subsidiaries have adopted a number of new accounting standards issued by the MOF, including *Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments*, *Accounting Standard for Business Enterprises No.23 – Transfer of financial assets*, *Accounting Standards for Business Enterprises No. 24 – Hedging and Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments*, each with effect from 1 January 2019. In adopting these new accounting standards, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2018. The corresponding financial information as at and for the year ended 31 December 2018 included in the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2019 has not been restated, whereby the cumulative effect of initial application of new accounting standards is recognised in retained earnings and other comprehensive income as at 1 January 2019. As a result of the above, the consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 may not be directly comparable to that as at and for the year ended 31 December 2019 and 2020. For more information, please refer to "note III. Significant Accounting Policies and Accounting Estimates – 25. Changes in Significant Accounting Policies and Accounting Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2019.

In preparing the Guarantor's consolidated financial statements as at and for the year ended 31 December 2020, certain of Guarantor's listed subsidiaries have adopted the new accounting standard issued by the MOF, namely *Accounting Standards for Business Enterprises No.14 – Revenue* with effect from 1 January 2020. In adopting the new accounting standard, the Group is not required to retrospectively adjust the consolidated financial information as at and for the year ended 31 December 2019. The corresponding financial information as at and for the year ended 31 December 2019 included in the consolidated financial statements of the Guarantor as at and for the year ended 31 December 2020 has not been restated, whereby the cumulative effect of initial application of the new accounting standard is recognised in retained earnings and other relevant line items as at 1 January 2020. As a result of the above, the consolidated financial information of the Guarantor as at and for the year ended 31 December 2018 and 2019 may not be directly comparable to that as at and for the year ended 31 December 2020. For more information, please refer to "note III. Significant Accounting Policies and Accounting Estimates – 28. Changes in Significant Accounting Policies and Accounting Estimates" to the Guarantor's consolidated financial statements as at and for the year ended 31 December 2020.

In preparing the Guarantor's unaudited financial statements as at and for the six months ended 30 June 2021, certain of Guarantor's listed subsidiaries have adopted the new accounting standard issued by the MOF, namely *Accounting Standards for Business Enterprises No.21 – Leases* with effect from 1 January 2021. In adopting the new accounting standard, the corresponding financial information as at and for the six months ended 30 June 2020 included in the consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2021 has not been restated. As a result of the above, the consolidated financial information of the Guarantor as at and for the six months ended 30 June 2020 may not be directly comparable to that as at and for the year ended 30 June 2021. For more information, please refer to "note III. Significant Accounting Policies and Accounting Estimates – 31. Changes in Significant Accounting Policies and Accounting Estimates" to the Guarantor's consolidated financial statements as at and for the six months ended 30 June 2021.

In addition, the MOF may promulgate new accounting standards or requirements in relation to financial statements which would affect the PRC GAAP and the Group's accounting policies, or that the Guarantor and/or its subsidiaries may change their accounting estimates in accordance with the applicable PRC GAAP from time to time, each of which may affect the presentation and comparability of the Group's financial statements.

TYQ CPA, the Guarantor's independent auditor, has previously been investigated, censured or penalised by relevant regulatory authorities.

The Group's current independent auditor, TYQ CPA, is a registered member of the Chinese Institute of Certified Public Accountants. TYQ CPA, together with its auditors, have, over the years, been investigated, censured or penalised by relevant regulatory authorities in relation to its audit work for companies unrelated to the Group. Such administrative sanctions, including warning on TYQ CPA and/or specific accounting personnel involved in the relevant audit work, mainly focus on the appropriateness of the implementation of accounting standards, non-compliance with certain auditing guidelines, the adequacy of professional skepticism in the auditing process, and the reasonableness of the judgement made by the auditors.

Although such administrative sanctions may restrict TYQ CPA from providing audit services or other services in connection with certain financing transactions, TYQ CPA has further confirmed that none of such administrative sanctions (i) have restricted or will in any manner restrict TYQ CPA from serving as the auditors of the Group or providing assistance in respect of the issue and offering of the Bonds; (ii) affect or in any way amend the conclusions in their audit opinions on the Guarantor's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021 included elsewhere in this Offering Circular or any previous consolidated financial statements of the Guarantor; or (iii) prevent TYQ CPA from issuing comfort letters or any audit opinions in respect of the issue and offering of the Bonds. However, there can be no assurance that such administrative actions imposed on TYQ CPA would not affect investors' confidence in companies and financial statements audited by it. Furthermore, there can be no assurance that there would be no additional negative news about the independent auditor and that negative news about the auditors would not have a material and adverse effect on the Group. Prospective investors should consider these factors prior to making any investment decision.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of the industries in which the Group operates its business. Furthermore, the future results of operations of the Group may also fluctuate or change materially due to changes in the Group's business model and/or the accounting treatments applied thereto. In addition, there is no assurance that the Group will not record an operating loss in the future, which may have an adverse effect on the Issuer's or the Guarantor's ability to pay their respective debt, including the Bonds.

The Group's consolidated financial statements have been prepared and presented in accordance with the PRC GAAP, which is different from IFRS in certain respects.

The Group's 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 further 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.

In addition, the Group's current independent auditor, TYQ CPA is a registered member of the Chinese Institute of Certified Public Accountants. Although the Group's auditor has significant audit experience in the PRC, it has limited international capital markets experience. Prospective investors should consider this factor prior to making any investment decision.

Investors should not place any reliance on the financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information.

The Guarantor publishes annual, semi-annual and/or quarterly consolidated financial information in the PRC to satisfy its continuing disclosure obligations relating to its debt securities issued in the PRC pursuant to applicable PRC regulations and rules of the stock exchanges on which the relevant securities are listed. The semi-annual and/or quarterly consolidated financial information of the Guarantor is derived from the Group's management accounts and normally unaudited or unreviewed by independent auditors. Unless specifically included in this Offering Circular, such financial information does not form part of this Offering Circular, and should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited or reviewed financial information. The Guarantor is not responsible to holders of the Bonds for the financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

In addition, the Guarantor's published financial information in the PRC may be adjusted or restated by the Guarantor to address retrospective impacts of subsequent changes in applicable accounting standards, the Guarantor's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting, to reflect the subsequent comments given by the independent auditors during the course of their audit or review or to correct errors in its published financial statements. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date published in the past on the one hand and the financial information with respect to the same period or date subsequently published in the PRC or the relevant financial information (if any) contained in this Offering Circular on the other hand.

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 Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives, and, therefore, the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives 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 CONDUCTING BUSINESS IN THE PRC

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

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP in 2019 slowed down to 6.1 per cent. on a year-on-year basis compared to 6.6 per cent. in 2018, and it further decreased to 2.3 per cent. in 2020 on a year-on-year basis. In March 2016, Moody's and S&P changed the PRC'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 the PRC'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 the PRC's credit rating by one notch from AA-to 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 international trade environment and various governments' trade and economic policies, particularly the recent trade conflicts between the PRC and the United States, may cause uncertainties to the PRC's economy and financial, foreign exchange and capital markets. In addition, the United Kingdom's exit from the European Union took place on 31 January 2020, where the United Kingdom legally revoked its membership in the European Union. The United Kingdom then entered into the transition period which was agreed between the British government and the European Union to negotiate, among others, trade agreements in details. On 24 December 2020, the United Kingdom and the European Union entered into a provisional free-trade agreement that ensures the two sides can trade goods without tariffs or quotas. However, key details of the future relationship remain uncertain, such as trade in services. There is also substantial uncertainty relating to the impact of the United Kingdom's exit from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas.

On 11 March 2020, the World Health Organisation declared COVID-19 as a global pandemic. 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 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 will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 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.

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. See also "*– Risks Relating to the Group and its Business – The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in the PRC*".

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

A large portion of the Group's assets are located in the PRC and a large part of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. 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, foreign exchange control and allocation of resources. The economy of the PRC 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 the economy in general through policy measures, and there can be no assurance that the PRC government will continue to pursue the existing economic reforms. In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's 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). 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, the imposition of additional restrictions on currency conversion, a reduction in tariff protection and the imposition of other import restrictions.

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.

The Group's core business is conducted in the PRC and a large part of its operations are located in the PRC, hence 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, the PRC 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 sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

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 a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

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

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

It may be difficult to effect service of process upon, or to enforce against, the Guarantor or its directors or members of the Guarantor's senior management who reside in the PRC in connection with judgments obtained in non PRC courts. A large portion of the Group's assets and most of the Group's members are located in the PRC. In addition, substantially all of the assets of the Guarantor's directors and the members of its senior management may be located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Guarantor or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the **"Choice of Court Arrangement"**), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A

“choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Guarantor or the Guarantor’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Guarantor or the Guarantor’s directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, 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 PRC government’s control over currency conversion may limit the Group’s foreign exchange transactions.

Currently, Renminbi still cannot be completely freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from the SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by or registered with the SAFE or its local branches or their authorised banks.

In addition, any insufficiency of foreign currency funds may restrict the Group’s ability to obtain sufficient foreign currency funds to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, results of operations and financial condition of the Group, may be materially and adversely affected.

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

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for

distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The PRC government shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee or the transaction documents in relation to the Bonds, which are solely to be fulfilled by the Issuer and/or the Guarantor.

The Bonds are solely to be repaid by the Issuer and/or the Guarantor (as the case may be) as an obligor and the obligations of the Issuer and/or the Guarantor (as the case may be) under the Bonds or the Guarantee shall solely be fulfilled by the Issuer and/or the Guarantor (as the case may be) as an independent legal person. The PRC government and its governmental departments and agencies (including but not limited to the central government and any regional or local government) are not obligors and shall under no circumstances have any obligation arising out of or in connection with the Bonds. They have no payment or any other obligation under the Bonds, the Guarantee or the transaction documents relating to the Bonds. When an investor makes any investment decision in the Bonds, it should solely consider the ability of the Issuer and the Guarantor to perform their obligations under the Bonds and their credit risk. If the Issuer and/or the Guarantor (as the case may be) does not fulfil its obligations under the Bonds or the Guarantee, investors will only be able to claim as unsecured creditors against the Issuer and/or the Guarantor and their respective assets, and not any other person, including the PRC government or any of its governmental departments and agencies. The Bondholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Bonds, the Guarantee and the transaction documents relating to the Bonds. See "*PRC Regulations – Regulation on Fiscal Debts of Local Governments*".

The Issuer is a special purpose finance vehicle with no asset or operating cash flow and its ability to serve the Bonds heavily relies on the cash flow from other members of the Group.

The Issuer is a special purpose finance vehicle and does not have operating activities, operating cash flow or revenue. The Issuer's primary assets, after the Bonds are issued, will be intragroup loans to the Guarantor and/or other subsidiaries of the Guarantor to on-lend the proceeds of the offering of the Bonds. Accordingly, the Issuer's ability to pay interest on the Bonds and to redeem the Bonds upon maturity will depend upon the ability of the Guarantor and/or its borrower subsidiaries to repay the intragroup loans to the Issuer. In the event that the recipients of such intragroup loans do not make such payments in a timely manner, the Issuer's ability to make payments under the Bonds will be adversely affected.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor respectively.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor and will be effectively subordinated to all secured indebtedness of the members of the Group to the extent of the value of the assets securing such indebtedness. In the event of bankruptcy, liquidation, reorganisation or other winding up of the Issuer or the Guarantor, the assets that secure the Group's secured indebtedness will be available to pay obligations on the Bonds only after all secured indebtedness, together with accrued interest, has been repaid. If the Group is unable to repay its secured indebtedness, the lenders could foreclose on substantially all of its assets which serve as collateral. Under such circumstances, the secured lenders would be entitled to be repaid in full from the proceeds of the liquidation of those assets before those assets would be available for distribution to other creditors, including holders of the Bonds. Holders of the Bonds will participate in the proceeds of the liquidation of the Group's remaining assets rateably with holders of the Group's unsecured indebtedness that is deemed to be of the same class as the Bonds, and potentially with all of the Group's other general creditors.

The Issuer or the Guarantor may be unable to redeem the Bonds if a Change of Control or a Non-Registration Event happens prior to the maturity date of the Bonds.

The Issuer shall redeem the Bonds of any Bondholder if the Bondholder duly exercises its right of redemption following the occurrence of a Change of Control (as defined in the Conditions) or a Non-Registration Event (as defined in the Conditions) in accordance with the terms of the Bonds and Trust Deed. Pursuant to the Deed of Guarantee, the Guarantor guarantees all obligations of the Issuer under the Bonds and the Trust Deed as if it were the primary obligor. If a Change of Control or a Non-Registration Event takes place before the Bonds are matured, the Issuer and the Guarantor will have to immediately redeem all of the Bonds and any accrued and unpaid interest. There is no assurance that the Issuer or the Guarantor will not be contractually limited to redeem the Bonds in such event by the terms of other financing documents to which it is a party. It is also uncertain that the Issuer and the Guarantor will have sufficient cash in hand to redeem the Bonds or that they will be able to obtain financing in time or on acceptable terms to allow them to fulfil their obligations under the Bonds and the Guarantee. The Issuer's and the Guarantor's failure to redeem the Bonds tendered for repurchase could constitute an event of default under the Bonds and materially and adversely affect the Group's financial condition and results of operations.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's and the Guarantor's existing and future subsidiaries.

The Bonds and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing or future subsidiaries, whether or not secured (other than in the case of the Guarantor, the Issuer). The Bonds will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantor is subject to various restrictions under applicable laws. The Issuer's and the Guarantor's subsidiaries will be 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 and the Guarantor's rights to receive assets of any of the Issuer's and the Guarantor's subsidiaries upon the liquidation or winding-up of those subsidiaries will be effectively subordinated to the claim of the creditors of those subsidiaries (except to the extent that the Issuer or the Guarantor is a creditor). Consequently, the Bonds and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any subsidiaries in which the Issuer or the Guarantor owns equity interests that the Issuer or the Guarantor may in the future acquire or establish.

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

Pursuant to the Deed of Guarantee to be executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Pursuant to the Conditions, the Guarantor undertakes to register or cause to be registered with the relevant local branch of the SAFE the Deed of Guarantee within 15 Registration Business Days after the Issue Date in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by the SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Foreign Exchange Cross-Border Guarantee Rules**”), the Operational Guidelines on Foreign Exchange Administration of Cross-border Guarantee (跨境擔保外匯管理操作指引) promulgated by the SAFE on 12 May 2014 (the “**SAFE Guidelines**”), and any implementation rules as issued by the SAFE from time to time.

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with the SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe.

Bondholders who do not exercise such redemption option should note that before requisite registrations of the Guarantee given by the Guarantor are completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice.

Although the failure to register does not render the Guarantee ineffective or invalid under PRC laws, the SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE Registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the SAFE Registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Guarantor in the PRC. In addition, the administration of the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines may be subject to a certain degree of executive and policy discretion by the SAFE.

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

The Conditions, the Deed of Guarantee, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear matters or disputes governed by English law, the Hong Kong courts may require certain additional procedures to be taken. In addition, compared to other similar debt securities issuances where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts and thus will have limited ability to initiate a claim outside of Hong Kong.

Furthermore, while it is expected that the PRC courts may recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. 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 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.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;

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

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

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

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the SEHK, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. None of the Managers are obliged 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 discretion. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue as at the date of this Offering Circular), whereby there could potentially be a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such potential lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance or the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders of the Bonds 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.

Any downgrade or withdrawal of the ratings of the Bonds or the Guarantor may affect the market price of the Bonds or the Guarantor's ability to refinance the Bonds.

The Guarantor receives a long-term corporate rating of "BBB+" by Fitch. The Bonds are expected to be assigned a rating of "BBB+" by Fitch upon its issuance. A rating represents only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds, the Guarantee and the Trust Deed and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not recommendation to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. It may be downgraded or withdrawn by the relevant rating agency if in its judgment circumstances in the future so warrant. Each rating should be evaluated independently of any other rating of the Bonds or other securities of the Issuer or the Guarantor (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Bonds may adversely affect the market price of the Bonds. Neither the Issuer nor the Guarantor is obliged to inform Bondholders of any such revision, downgrade or withdrawal.

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

If any member of the Group (including the Issuer and the Guarantor) 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 relevant member of the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Group and the Bonds contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the relevant member of the Group under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt of the Group, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the assets and cash flows of the relevant member of the Group or the Group would be sufficient to repay all of its indebtedness in full, or that it would be able to find alternative financing. Even if the alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Group. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, including the Bonds.

Modifications and waivers may be made in respect of the Conditions, the Deed of Guarantee, the Trust Deed and/or the Agency Agreement 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 Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

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

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby.

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

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

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 each of the Group's revenue, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies or any adverse change in the credit rating, revenues, earnings or results of operations could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Changes in market interest rates may adversely affect the value of the Bonds and international financial markets and global economic conditions may adversely affect the market price of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. 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 price of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates. As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with the fluctuations in interest rates. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

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

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

In certain circumstances (including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 9 (*Event of Default*) of the Conditions and taking action pursuant to Condition 13 (*Enforcement*) of the Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Bondholders to take such actions directly.

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities. Furthermore, relevant issuers are required to notify the

NDRC the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. Under the Conditions, the Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 Registration Business Days after the Issue Date. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue filing requirement under the NDRC Circular, although the NDRC issued additional guidance on 18 December 2015 (the “**NDRC Circular Guidelines**”) which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on Bondholders, in the event of a failure to comply with the post-issue filing requirement under NDRC Circular. In the worst-case scenario, such non-compliance with the NDRC Circular may result in it being unlawful for the Issuer and/or the Guarantor to perform or comply with any of their respective obligations under the Bonds and the Guarantee, and the Bonds might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Conditions.

Since the NDRC Circular does not stipulate any detailed implementation procedures, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or post issuance report to, the NDRC. There is also no assurance that the registration with the NDRC will not be revoked or amended in the future or that changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed time in accordance with the NDRC Circular.

Third parties, including holders of the Bonds, may be hindered or prevented from enforcing their rights with respect to the assets of the Guarantor because of the doctrine of sovereign immunity or state secret privilege.

As at the date of this Offering Circular, the Guarantor is controlled by the PRC government indirectly through Yantai SASAC. All of the assets relating to the operation of the Group’s business are either owned or controlled by the Guarantor itself or by companies wholly or majority owned by the Guarantor. Where a third party brings a legal action against the Guarantor, its subsidiaries or their assets based on a contract dispute with them, the legal proceeding, particularly the enforcement of judgments or any arbitral award with respect to the assets of the Guarantor and its subsidiaries in China, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Guarantor can be sued in its own capacity in a civil proceeding in a court or tribunal, there is no assurance that the assets of the Guarantor will not be immune from enforcement proceedings on the grounds of sovereign immunity or state secret privilege. If such immunity or privilege is invoked to dismiss judgments from the court or tribunal, it may be difficult for the third-party plaintiffs (such as holders of the Bonds) to enforce their contractual rights against the Guarantor, its subsidiaries or their assets in China.

The insolvency laws of the British Virgin Islands, 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 British Virgin Islands and the Guarantor is a state-owned enterprise incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve the British Virgin Islands or the 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 holders of the Bonds are familiar.

Gains on the transfer of the Bonds may become subject to income taxes under PRC tax laws.

Under the EIT Law, the IIT Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of the Bonds by non-PRC resident enterprise or individual holders may be subject to enterprise income tax or individual income tax in the PRC if such gain is income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of the Bonds by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and be subject to enterprise income tax or individual income tax in the PRC. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law, the IIT Law and the relevant implementing rules. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Therefore, if a non-PRC resident enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of the Bonds (such enterprise income tax is currently levied at the rate of 10 per cent. of gains realised and such individual income tax is currently levied at the rate of 20 per cent. of gains realised (with deduction of reasonable expenses), unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of the Bonds reside that reduces or exempts the relevant enterprise income tax or individual income tax), the value of their investment in the Bonds may be materially and adversely affected.

The Bonds will initially be represented by the Global Certificate and transfer of the beneficial interest in the Global Certificate must follow the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository on behalf of Euroclear and Clearstream (each a “Clearing System”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for the Clearing Systems for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

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

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a Definitive Certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal

amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a Definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The Bonds may initially be sold to a small number of investors and do not have a liquid trading market. In addition, one or more of the investors may own a significant percentage or a majority of the Bonds and may therefore be able to exercise certain rights and powers on behalf of all Bondholders.

The Bonds may initially be sold to a small number of investors. Accordingly, there may not be a liquid trading market for the Bonds, in which case you may not be able to resell your Bonds at their fair market value or at all. One or more of the investors may hold a significant percentage or a majority of the aggregate principal amount of the Bonds. Any Bondholder of a majority in aggregate principal amount of the Bonds will have certain rights and powers under the Bonds and the Trust Deed. Accordingly, any investor that holds a large amount of the Bonds may have a substantial influence at Bondholders' meeting relating to matters that require resolutions of Bondholders.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, without the consent and prior consultation of the Bondholders, create and issue further bonds which are consolidated to form a single series with the outstanding Bonds (see *"Terms and Conditions of the Bonds – Further Issues"*). There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

EXCHANGE RATES

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 11 December 2015, the China Foreign Exchange Trade System (“CFETS”), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time, which announces the central parity rate for Renminbi against U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The PRC government may from time to time adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between Renminbi and U.S. dollar for the periods indicated. Exchange rates of Renminbi into U.S. dollar are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

Period	Period End	Noon Buying Rate ⁽¹⁾		
		Average ⁽²⁾	High	Low
		(RMB per U.S.\$1.00)		
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
2021				
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November (through 26 November)	6.3924	6.3904	6.4061	6.3775

Notes:

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant month.

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 (as defined below) and referred to in the Global Certificate (as defined below).

The U.S.\$250,000,000 in aggregate principal amount of 2.20 per cent. guaranteed bonds due 2024 (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 Junfeng International Co., Ltd 君豐國際有限公司 (the “**Issuer**”) are constituted by a trust deed dated 9 December 2021 (the “**Issue Date**”) (as amended or supplemented from time to time, the “**Trust Deed**”) made between the **Issuer**, Yantai Guofeng Investment Holdings Group Co., Ltd. (煙臺國豐投資控股集團有限公司) as guarantor (the “**Guarantor**”) and The Bank of New York Mellon, London Branch as trustee (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) for itself and the Bondholders (as defined below). The Bonds have the benefit of a deed of guarantee (as amended or supplemented from time to time, the “**Deed of Guarantee**”) dated the Issue Date executed by the Guarantor and the Trustee, such deed being executed in favour of the Trustee for itself and the Bondholders.

The Bonds are the subject of an agency agreement dated the Issue Date (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch 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) and The Bank of New York Mellon SA/NV, Dublin Branch as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and 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 any other agents appointed thereunder. In these terms and conditions (these “**Conditions**”), “**Paying Agents**” means the Principal Paying Agent together with any additional or successor paying agent appointed from time to time in connection with the issue of the Bonds, and “**Agents**” means the Paying Agents, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds.

Certain provisions of these Conditions are summaries of the Trust Deed, the Deed of Guarantee and the Agency Agreement and are subject to their detailed provisions. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection upon prior written request and satisfactory proof of holding during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) by the Bondholders at the principal place of business for the time being of the Trustee, being as at the Issue Date at One Canada Square, London E14 5AL, United Kingdom and at the specified office for the time being of the Principal Paying Agent.

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

1 FORM, AUTHORISED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an “**Authorised Denomination**”). The Bonds are evidenced by registered certificates (the “**Certificates**”) and, save as provided in Condition 3(b), each Certificate shall evidence 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, duly completed) evidencing it or the alleged destruction, theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

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

2 STATUS

(a) Status of the Bonds

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

(b) Status of the Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the “**Guarantee**”) are contained in the Deed of Guarantee (and any supplement thereto). The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause a 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, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Bonds 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), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate (or in the form obtainable from the Register or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer

at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in an Authorised Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in Bonds evidenced 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 (as defined below) of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in 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, 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 in writing otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In this Condition 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 Registrar and, if applicable, the relevant Transfer Agent.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive 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 Registrar or the relevant Transfer Agent (as the case may be) or the Issuer may require) in respect of any taxes, duties, assessments or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

(e) Closed Periods

No Bondholder 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)(ii)); or (iii) after a Tax Redemption Notice (as defined in Condition 6(b)) has been delivered by the Issuer pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by such holder pursuant to Condition 6(c).

(f) **Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations (the “**Regulations**”) concerning transfers of Bonds, the initial form of which is 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 (free of charge to the Bondholders and at the Issuer’s expense) by the Registrar for inspection by any Bondholder who so requests in writing and upon satisfactory proof of holding and identity.

4 COVENANTS

(a) **Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that none of their respective Subsidiaries (other than any Listed Subsidiary) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution.

(b) **Undertakings relating to NDRC Post-issue Filing**

The Guarantor undertakes that it will, 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 *Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises’ Issuance of Foreign Debts* (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and effective on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).

(c) **Undertakings relating to SAFE Registration**

The Guarantor undertakes to register or cause to be registered with a relevant branch of SAFE the Deed of Guarantee within 15 Registration Business Days after the Issue Date in accordance with the *Provisions on the Foreign Exchange Administration of Cross-Border Guarantee* (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**SAFE Registration**”), and shall use its best endeavours to complete the SAFE Registration and obtain a registration certificate (or any other document evidencing the completion of the SAFE Registration) from the local branch of SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations with respect to the issue of the Bonds and the Deed of Guarantee.

(d) **Notification of Completion of the NDRC Post-Issue Filing and the SAFE Registration**

The Guarantor shall, within five Registration Business Days after the later date of the submission of the NDRC Post-issue Filing and the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the SAFE Registration) and in any case no later than the Registration Deadline,

- (i) provide the Trustee with a certificate in English (substantially in the form set out in the Trust Deed) signed by an Authorised Signatory of the Guarantor confirming the completion of the NDRC Post-issue Filing and SAFE Registration, together with copies

of the relevant documents evidencing due filing with NDRC, completion of registration confirmed by the local branch of SAFE and the particulars of the registration, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (together, the “**Registration Documents**”), and

- (ii) give notice (substantially in the form set out in the Trust Deed) to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the SAFE Registration.

The Trustee shall have no obligation or duty to monitor or ensure (or otherwise assist with) the filing or completion of the NDRC Post-issue Filing and the SAFE Registration before the relevant deadlines specified and may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(e) **Undertakings relating to Compliance with Laws and Regulations**

Each of the Issuer and the Guarantor undertakes that it will comply with all PRC laws and regulations to the extent applicable to the Bonds and the Guarantee.

(f) **Financial Information**

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

- (i) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period (as defined below) prepared in accordance with PRC GAAP, audited by a nationally or internationally recognised firm of independent accountants, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person); and
- (ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports, and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).

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

(g) **Compliance Certificate**

So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor shall send a Compliance Certificate to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(f) and (ii) within 14 days of any written request by the Trustee. The Trustee may rely on the Compliance Certificate conclusively without liability to the Issuer, the Guarantor, any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(h) **Ratings Maintenance**

For so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, the Issuer shall use its best endeavours to maintain a rating on the Bonds by at least one Rating Agency.

(i) **Definitions**

In these Conditions:

“Audited Financial Reports” means the annual audited consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owner’s equity of the Guarantor together with any statements, reports (including any directors’ and auditors’ reports if any) and notes attached to or intended to be read with any of them;

“Authorised Signatory” means any director or any other officer of the Issuer or the Guarantor, as the case may be, who has been duly authorised by the Issuer or the Guarantor, as the case may be, to sign any certificate or document required in connection with the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement on behalf of, and so as to bind, the Issuer or the Guarantor, as the case may be, and which the Issuer or the Guarantor, as the case may be, has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

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

- (i) no Event of Default (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 has occurred, giving details of it; and
- (ii) the Issuer or the Guarantor (as the case may be) had complied with all of its obligations under the Trust Deed, the Deed of Guarantee and the Bonds or, if non-compliance has occurred, giving details of it;

“Listed Subsidiary” means a Subsidiary whose shares are at the relevant time listed on any recognised stock exchange and any Subsidiary of such Listed Subsidiary;

“NDRC” means the National Development and Reform Commission of the PRC or any relevant local branch thereof;

“person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“Potential Event of Default” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

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

“PRC GAAP” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

“Rating Agency” means any of Moody’s Investors Service, Inc. (**“Moody’s”**), S&P Global Ratings (**“S&P”**) or Fitch Ratings, Inc. (**“Fitch”**) and their respective successors, or if none of Moody’s, S&P and Fitch shall make a rating of the Bonds publicly available, any other internationally recognised credit rating agency of equivalent reputation and standing selected by the Issuer and the Guarantor in good faith and notified to the Trustee in writing;

“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, the PRC;

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

“Relevant Indebtedness” means any present and future indebtedness incurred or issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stocks, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which for the avoidance of doubt does not include bilateral loans, syndicated loans or club deal loans, any transferable loan facility or agreement);

“Relevant Period” means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Guarantor’s financial year (being 31 December of that financial year); and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Guarantor’s first half of the financial year (being 30 June of that financial year);

“SAFE” means the State Administration of Foreign Exchange of the PRC;

“Subsidiary” means, with respect to any person, (i) 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 (ii) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

“Unaudited Financial Reports” means the semi-annual unaudited consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in owner’s equity of the Guarantor together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if any; 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.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.20 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$11.00 per Calculation Amount (as defined below) on 9 June and 9 December in each year (each an “**Interest Payment Date**”), commencing on 9 June 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing 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 in accordance with Condition 16 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).

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

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”. If interest is required to be calculated for a period other 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.

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 9 December 2024 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”), which shall specify the date for redemption and the method by which payment shall be made to the Bondholders, in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any interest accrued to (but not including) the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (i) the Issuer (or, if the Guarantee was called, the Guarantor) 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 British Virgin Islands (the “**BVI**”) or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2021, and

- (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

- (i) a certificate in English signed by an Authorised Signatory of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and
- (ii) an opinion of independent tax or legal advisers of recognised standing, in form and substance satisfactory to the Trustee, to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.
- (iii) The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in Condition 6(b)(i) and Condition 6(b)(ii), 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 person for so accepting and relying on such certificate or opinion.
- (iv) Upon the expiry of any such notice period as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6(b).

(c) **Redemption for Relevant Events**

Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the “**Relevant Event Put Right**”), at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined below)) of their principal amount, together in each case with accrued interest to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form (initially set out in the Agency Agreement) and for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, by (i) not later than 30 days following a Relevant Event (the “**Initial Exercise Period**”), or, (ii) if later, within 30 days following the date upon which notice of the Relevant Event is given to Bondholders by the Issuer as specified below (the “**Substituted Exercise Period**”). A Put Exercise Notice, once delivered, shall be irrevocable.

The “**Put Settlement Date**” in respect of any Bond for which such option is exercised shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a Non-Registration Event) after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a Non-Registration Event) following the day on which the Issuer or the Guarantor becomes aware of or should have been aware of a Relevant Event, the Issuer, failing which the Guarantor, shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Bondholders (in accordance with Condition 16) stating:

- (i) the applicable Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or Non-Registration Event;
- (iii) the date by which a Put Exercise Notice must be given;
- (iv) the redemption amount;
- (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.

The Trustee and the Agents shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Relevant Event and shall not 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 shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

For the purpose of these Conditions:

(A) a **“Change of Control”** occurs when:

- (i) one or more Government Persons acting together, cease to hold or own directly or indirectly 70 per cent. of the issued share capital of the Guarantor;
- (ii) the Guarantor ceases to directly or indirectly hold or own at least 100 per cent. of the issued share capital of the Issuer; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons other than the Government Persons;

(B) **“Control”** of any Person means:

- (i) the ownership or control of at least 50.1 per cent. of the voting rights of the issued share capital of the relevant Person, or
- (ii) the right to appoint and/or remove at least a majority of the members of the relevant 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; and “**Controlled**” shall have meanings correlative to the foregoing;

- (C) a “**Government Person**” means any of (a) Yantai Municipal Government and its governmental departments and agencies, (b) the People’s Government of Shandong Province and its governmental departments and agencies, (c) the National Social Security Fund of the People’s Republic of China or (d) any Person Controlled by any of the foregoing Persons;
- (D) a “**Non-Registration Event**” occurs when any of the Registration Conditions is not satisfied;
- (E) a “**Person**” includes any 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);
- (F) “**Registration Conditions**” means the completion of the SAFE Registration on or prior to the Registration Deadline and the receipt by the Trustee of the Registration Documents within the timeframe set forth in Condition 4(c); and
- (G) a “**Relevant Event**” will be deemed to occur if:
 - (i) there is a Non-Registration Event; or
 - (ii) there is a Change of Control.

(d) **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 specified in the Tax Redemption Notice or, as the case may be, on the applicable Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include a Tax Redemption 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. 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 (including a Tax Redemption Notice or Put Exercise Notice) and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(e) **Purchase**

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(f) **Cancellation**

All Certificates evidencing Bonds which are redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered to the Registrar for cancellation and, upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) in the manner provided in paragraph (ii) of this Condition 7(a).
- (ii) Interest on each Bond shall be paid to the Bondholders at their registered accounts shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to such registered account. In these Conditions, the “**registered account**” of a Bondholder means the U.S. dollar account maintained by or on behalf of such holder with a bank, details of which appear in the Register. In this Condition 7(a)(ii), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.
- (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 (which need not be in an Authorised Denomination) 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 Trust Deed), 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 1 January and 25 December.*

- (b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a day on which the bank where a registered account is maintained is open for receipt of such transfers, for value the next following such day) will be initiated on the due date for payment (or, if it 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 Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

- (d) **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 a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the Bondholder after the due date for payment.
- (e) **Payment Business Days:** 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 open for business in New York City, Hong Kong, London and, in the case of surrender of a Certificate, the place in which the specified office of the relevant Paying Agent is located.

8 TAXATION

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

Where such withholding or deduction is made by the Issuer, as the case may be, or the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 6 December 2021 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (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 BVI or the PRC other than the mere holding of the Bond; or
- (ii) **Presentation more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the relevant **Bondholder** would have been entitled to such Additional Tax Amounts on presenting the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

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

Any reference in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts or other additional 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.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the BVI or the PRC, references in Condition 6(b) and this Condition 8 to the BVI or the PRC shall be construed as references to the BVI, the PRC and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charges withholding, deduction or other payment referred to in this Condition 8 or in connection with the Bonds or the Guarantee or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessment, charge, withholding, deduction or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, assessment, charge, withholding, deduction or other payment.

9 EVENTS OF DEFAULT

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

An “**Event of Default**” occurs if:

- (a) **Non-Payment:** there has been a failure by the Issuer and the Guarantor to pay when due and payable (i) the principal of or any premium on the Bonds (if any), or (ii) any interest on any of the Bonds and such failure continues for a period of seven days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 9(a) or where it gives rise to a right of redemption pursuant to Condition 6(c)) and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor (as the case may be); or
- (c) **Cross-Default:**
 - (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or
 - (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or
 - (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

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

- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries on the whole or any material part of its properties, assets or revenues 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 not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is deemed by law or a court with competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, or stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any material part of its debts, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts; or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or
- (g) **Winding-up:** (i) an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries, or (ii) the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except in the cases of (i) and (ii) above (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation while solvent and on terms approved by the Trustee acting on an Extraordinary Resolution, or (b) in the case of a Principal Subsidiary (other than the Issuer), whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or any other Subsidiary of the Guarantor or (c) a disposal of a Principal Subsidiary on an arm's length basis where the proceeds resulting from such disposal are transferred to or otherwise vested in the Issuer, the Guarantor or any other Subsidiary of the Guarantor; or
- (h) **Government Intervention:** all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or
- (i) **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(d) to 9(h) (both inclusive); or
- (j) **Failure to take action:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer or the Guarantor in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with its obligations under the Bonds, the Deed of Guarantee and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Certificates, the Register, the Deed of Guarantee and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (k) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Deed of Guarantee or the Trust Deed; or
- (l) **Unenforceability of Guarantee:** any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor.

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor; or
- (b) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet, is at least five per cent. of the consolidated total assets as shown by the latest audited consolidated balance sheet of the Guarantor including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or
- (c) whose operating profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating profit, as shown by its latest audited income statement is at least five per cent. of the consolidated operating profit as shown by the latest audited consolidated income statement of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments 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 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 cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above of this definition,

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

A certificate signed by an Authorised Signatory of the Guarantor stating that, in his/her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority rules and the Regulations, at the specified office of the Registrar 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 or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of holders

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 Deed of Guarantee or the Agency Agreement. Such a meeting may be convened by the Trustee, the Guarantor 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 (as defined in the Trust Deed) 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 (as defined in the Trust Deed), 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 and the Deed of Guarantee (each, a “**Reserved Matter**”), including consideration of proposals, *inter alia*, (i) to modify the Maturity Date 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 or cancel the Deed of Guarantee or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, 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 such meeting adjourned for lack of quorum not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). 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 or whether they voted contrary to the majority.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) (a “**Written Resolution**”) or (ii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) (“**Electronic Consent**”) shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution (if proposed as

such) 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 Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) Modification, Waiver and Authorisation

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification (other than any modification relating to a Reserved Matter) 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, the Deed of Guarantee and/or the Agency Agreement which in its opinion is not materially prejudicial to the interests of the Bondholders, or may agree, without any such consent as aforesaid, to any modification hereof or thereof 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. 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, failing which the Guarantor, as soon as practicable thereafter in accordance with Condition 16.

(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 and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor (save as provided in Condition 8) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

The Trustee may, at its discretion and without further notice, (i) at any time after the Bonds become due and payable, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee and/or the Bonds, and/or (ii) take action (including legal action) to protect or preserve the rights of the Bondholders but it need not take any such actions or 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 (as defined in the Trust Deed), and
- (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

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

14 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction before taking any action and relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payment and other amounts in priority to the claims of the Bondholders. In addition, the Trustee and each of the Agents is entitled to enter into business transactions with the Issuer or the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in 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 and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer (save as provided in Condition 8), the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or as a result of such Bondholders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee and the Agents may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any statement, evaluation, affirmation, 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 obtained by, or addressed to, it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such statement, evaluation, affirmation report, information, confirmation, certificate, opinion or advice, in which case such statement, evaluation, affirmation, report, information, confirmation, certificate, opinion or advice shall be binding on the Bondholders, the Issuer and the Guarantor. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or Guarantor and any other person appointed by the Issuer or Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the requisite proportion of Bondholders, the Issuer or the Guarantor, respectively. The Trustee shall be entitled to rely on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding (as defined in the Trust Deed) or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

The Trustee and the Agents shall not be required to monitor compliance with the provisions of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions and shall have no obligation to monitor or take steps to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be liable to the Issuer, the Guarantor, the Bondholders 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 Guarantor, 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.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer, the Guarantor or, in the limited circumstances set out in the Trust Deed, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The initial Agents and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain a principal paying agent and a registrar with a specified office outside the United Kingdom.

Notice of any termination, appointment, change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders 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 deadlines for making and completing the NDRC Post-issue Filing and the SAFE Registration and for making the subsequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further securities shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

16 NOTICES

All notices to the Bondholders will be valid if mailed to them by uninsured mail at their respective addresses in the Register. Any notice shall be deemed to have been given on the fourth day after being mailed. The Issuer and the Guarantor shall also ensure that notices are duly published in a manner that complies with the rules and regulation of any stock exchange or other relevant authority on which the Bonds are for the time being listed.

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

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds, the Deed of Guarantee and the Trust Deed 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.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Trust Deed, the Deed of Guarantee, the Agency Agreement 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 Deed of Guarantee and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement (“**Proceedings**”) shall be brought in such courts. The Issuer has in the Trust Deed and the Agency Agreement and the Guarantor has, in the Trust Deed, the Agency Agreement and the Deed of Guarantee 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**

Each of the Issuer and the Guarantor has irrevocably appointed China Yantai Company Limited 芝興有限公司 at Room A, Level 17, Carfield Commercial Building, 77 Wyndham Street, Central, Hong Kong to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent ceases to act as such agent for service of process or no longer has an address in Hong Kong, each of the Issuer and the Guarantor has irrevocably agreed to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer or the Guarantor) such an agent by written notice to the Issuer and/or the Guarantor. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**

Each of the Issuer and the Guarantor has in the Trust Deed and the Agency Agreement, and the Guarantor has in the Deed of Guarantee 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) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Conditions set out in this Offering Circular have the meaning in the paragraphs below.

The Bonds will be evidenced by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary 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 Conditions.

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

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security and/or pre-funding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Conditions 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 evidenced by the Global Certificate, each payment in respect of the Bonds will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday, inclusive, except 25 December and 1 January.

CALCULATION OF INTEREST

So long as the Bonds are evidenced 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 Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds evidenced by such Global Certificate.

NOTICES

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

MEETINGS

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

BONDHOLDER'S PUT OPTION

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

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

TRANSFERS

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

CANCELLATION

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

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

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.\$250,000,000. After deducting commissions and other estimated expenses payable in connection with this offering the net proceeds from this offering will be used for project construction and replenishing working capital.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 30 June 2021 and as adjusted to give effect to the issuance of the Bonds (before deducting the fees and commissions and other estimated transaction expenses payable). The following table should be read in conjunction with "Use of Proceeds", "Summary Consolidated Financial Information of the Guarantor" and the Guarantor's financial statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2021			
	Actual		As adjusted	
	(RMB)	(U.S.\$) ⁽¹⁾	(RMB)	(U.S.\$) ⁽¹⁾
	(in millions)			
Current indebtedness:				
Short-term borrowings	50,305.9	7,791.4	50,305.9	7,791.4
Non-current liabilities due within one year (interest-bearing portion)	2,085.8	323.0	2,085.8	323.0
Other current liabilities (interest-bearing portion)	8,021.8	1,242.4	8,021.8	1,242.4
Total current indebtedness	60,413.5	9,356.9	60,413.5	9,356.9
Non-current indebtedness:				
Long-term borrowings	26,822.8	4,154.3	26,822.8	4,154.3
Bonds payable	6,982.9	1,081.5	6,982.9	1,081.5
Long-term payables (interest-bearing portion)	4,641.1	718.8	4,641.1	718.8
Bonds to be issued ⁽²⁾	—	—	1,614.2	250.0
Total non-current indebtedness	38,446.8	5,954.7	40,061.0	6,204.7
Total indebtedness⁽³⁾	98,860.3	15,311.5	100,474.5	15,561.5
Total equity	84,373.0	13,067.7	84,373.0	13,067.7
Total capitalisation⁽⁴⁾	122,819.8	19,022.4	124,434.0	19,274.4

Notes:

- (1) U.S. dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB6.4566 to US\$1.00 on 30 June 2021 as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the fees and commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents the sum of total non-current indebtedness and total equity.

In the ordinary course of the Group's business, the Group may, from time to time, consider various financing opportunities and incur additional debt, including bank borrowings and domestic bonds issuances. On 1 November 2021, the Guarantor issued the 1 November 2021 Commercial Paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days. On 8 November 2021, the Guarantor issued the 8 November 2021 Commercial Paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days. As at the date of this Offering Circular, the entire principal amount of the 1 November 2021 Commercial Paper and the 8 November 2021 Commercial Paper remains outstanding. Meanwhile, on 15 September 2021, the Guarantor issued the September Renewable Corporate Bonds in an aggregate principal amount of RMB1.5 billion with an initial tenor of three years. On 12 November 2021, the Guarantor issued the November Renewable Corporate Bonds in an aggregate principal amount of RMB2.0 billion with an initial tenor of three years. The September Renewable Corporate Bonds and the November Renewable Corporate Bonds are classified as other equity instruments of the Group. Please see "*Description of the Group – Recent Developments*" for further details. Except as otherwise disclosed above, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Guarantor since 30 June 2021.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI business company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 2076387). It was incorporated in the British Virgin Islands on 21 September 2021. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. The registered office of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

BUSINESS ACTIVITY

The Issuer was established with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purposes pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into the arrangements for the issue of the Bonds, and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

DIRECTORS

The sole director of the Issuer is Mr. SUI Shengqiang.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares with no par value each of a single class. As at the date of this Offering Circular, one ordinary share, which is held by Hongkong Fengsheng International Holdings Co., Limited 香港豐盛國際控股有限公司, a direct wholly-owned Hong Kong subsidiary of the Guarantor, has been issued and credited as fully paid, representing the entire issued capital of the Issuer. None of the equity securities of the Issuer was listed or traded on any stock exchange and no listing or permission to trade such securities is being or is proposed to be sought as at the date of this Offering Circular.

FINANCIAL STATEMENTS

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

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, nor is it aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading state-owned conglomerate based in Yantai City, Shandong Province. Leveraging on over 10 years of profound operational experience, the Group has built up a diversified business portfolio including chemical business, energy equipment sales and services, high performance fibres production and commodities trading. The Group also expands its footprints in the operation and management of industrial parks and project investment an aim to generate stable revenue and supplement its primary businesses. As at 30 June 2021, the Group held four publicly-listed subsidiaries in the PRC, namely Wanhua Chemical, Moon Technology, Tayho Advanced Materials and Seal-tech.

The Group's business segments are as follows:

- *Chemical Business.* Chemical business is the core business segment of the Group and the primary source of revenue for the Group's business operations. The Group conducts its chemical business through Wanhua Chemical, which has been listed on the Shanghai Stock Exchange (stock code: 600309.sh) since 2001. Wanhua Chemical is mainly engaged in the research and development as well as the production and sales of raw materials used in the production of polyurethane series products, petrochemical products as well as fine chemicals and new materials. The products manufactured by Wanhua Chemical are further processed by customers to manufacture products used in various fields, including transportation, construction, wood, furniture, electronics, sports, cosmetics, health and chemicals. Demonstrated by its proven track record, Wanhua Chemical is a major supplier of MDI, ADI, polyether and TPU across the world as well as a major TDI supplier in Europe. According to the *C&EN Magazine*, Wanhua Chemical ranked 29th among all chemical enterprises worldwide in terms of total sales of chemical products. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's chemical business was RMB72,481.4 million, RMB67,783.0 million, RMB73,297.5 million, RMB30,738.0 million and RMB67,574.1 million, respectively, representing 90.3 per cent., 88.7 per cent., 86.9 per cent., 89.0 per cent. and 86.4 per cent., respectively, of the Group's total revenue for the same periods.
- *Energy Equipment Sales and Services.* The Group conducts its energy equipment sales and services business primarily through Moon Technology, which has been listed on the Shenzhen Stock Exchange (Stock Code: 000811.sz) since 1998. Moon Technology is a leading enterprise in research and development as well as manufacturing and sales of low-temperature refrigeration equipment in the PRC. Moon Technology has developed a full-chain industrial layout covering seven industrial clusters, including low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment, energy-saving heating equipment, precision castings, hydrogen energy equipment and digital intelligence services. Among them, low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment and energy-saving heating equipment are Moon Technology's major industrial clusters. Moon Technology was awarded "Meritorious Enterprise of Equipping China" by China Machinery Industry Federation in 2011, and the Top 100 China Machinery Industry Company by China Machinery Industry Federation and China Association of Automobile Manufacturers for consecutive two years from 2020 to 2021. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's energy equipment sales and services business was RMB4,066.5 million, RMB3,815.5 million, RMB4,043.7 million, RMB1,603.1 million and RMB2,346.5 million, respectively, representing 5.1 per cent., 5.0 per cent., 4.8 per cent., 4.6 per cent. and 3.0 per cent., respectively, of the Group's total revenue for the same periods.
- *High Performance Fibres Production.* The Group is a leading entity in the production of high performance fibres in the PRC. The Group conducts its high performance fibres production business primarily through Tayho Advanced Materials, a state-level high-tech enterprise which has been listed on the Shenzhen Stock Exchange (stock code: 002254.sz) since 2008. Founded in 1987, Tayho Advanced Materials is a national high-tech enterprise specialised in the research and development and production of high-performance fibers, including spandex fibres and aramid fibres. Spandex

fibres and aramid fibres are high performance fibres that have wide ranges of applications across different industries and sectors. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's high performance fibres production business was RMB2,170.7 million, RMB2,540.3 million, RMB2,439.7 million, RMB1,040.0 million and RMB2,125.0 million, respectively, representing 2.7 per cent., 3.3 per cent., 2.9 per cent., 3.0 per cent. and 2.7 per cent., respectively, of the Group's total revenue for the same periods.

- *Commodities Trading.* The Group commences its commodities trading business since September 2019. The Group trades a variety of commodities including electrolytic copper, coal and non-ferrous metal. Leveraging on its supply chain advantages from its strategic partnerships with Junhe Group and Ruimaotong, the Group has been actively developing its commodities trading business. For the year ended 31 December 2020 and the six months ended 30 June 2021, revenue generated from the Group's commodities trading business was RMB2,891.0 million and RMB5,390.1 million, respectively, representing 3.4 per cent. and 6.9 per cent., respectively, of the Group's total revenue for the same periods.
- *Other Businesses.* The Group also conducts other businesses such as the operation and management of industrial parks and project investment. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's other businesses was RMB1,538.4 million, RMB2,289.2 million, RMB1,679.2 million, RMB1,153.7 million and RMB753.9 million, respectively, representing 1.9 per cent., 3.0 per cent., 2.0 per cent., 3.3 per cent. and 1.0 per cent., respectively, of the Group's total revenue for the same periods.

As the first state-owned enterprise focusing on the investment and management of state-owned assets in Yantai City, the Group has enjoyed strong government support since its incorporation. For the year ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group received government grants of RMB1,094.7 million, RMB997.3 million, RMB959.4 million, RMB521.6 million and RMB360.1 million, respectively. The Group also benefits from strong financial strengths and preferential policies of Shandong Province. Located in the Shandong Peninsula, Yantai City is one of the central cities within the region and a strategically important port city under The Belt and Road Initiative in the Bohai Rim region. In addition, Yantai City is also one of the first 14 coastal open cities within the PRC and has greatly benefited from the vast commercial opportunities as a result of its prominent geographical location. In 2018, the State Council approved the establishment of Shandong Comprehensive Pilot Zone for the Replacements of Old Economic Growth Drivers with New Economic Growth Drivers, which further promotes the development of new technologies and new industries in Shandong Province. In addition, China (Shandong) Pilot Free Trade Zone Yantai Area was launched in August 2019, which attracts foreign investment and promotes trade liberalisation and facilitation. According to Shandong Provincial Bureau of Statistics, Shandong Province recorded a GDP of approximately RMB7,312.9 billion in 2020, ranking the third among all provinces in the PRC. In particular, Yantai City recorded a GDP of approximately RMB781.6 billion in 2020, ranking the third among all cities in Shandong Province and 25th among all cities nationwide. As such, the Group believes that it is well-positioned to capture the industry growth opportunities by such preferential policies.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the total revenue of the Group was RMB80,256.9 million, RMB76,430.0 million, RMB84,351.1 million, RMB34,534.7 million and RMB78,189.5 million, respectively. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total assets of the Group were RMB113,028.1 million, RMB129,674.4 million, RMB184,943.6 million and RMB225,388.3 million, respectively.

RECENT DEVELOPMENTS

Gratuitously Equity Transfer and Debt Assignment

Pursuant to a notice issued by Yantai SASAC on 7 July 2021, Yantai Guosheng Investment Holding Co., Ltd., a subsidiary of the Guarantor, is required to gratuitously transfer the Target Assets to Yantai Blue Sky Investment and Development Group Co., Ltd., a subsidiary wholly-owned by Yantai SASAC. The book value of the Target Assets amounted to RMB10.4 million, representing 0.01 per cent. of the Guarantor's consolidated net assets as at 31 December 2020. After such transaction, Yantai Guosheng Investment Holding Co., Ltd. no longer holds any equity interest in Yantai Travel World Co., Ltd. In addition, pursuant to an approval issued by Yantai SASAC on 28 August 2021, Yantai Guoyu Financial Leasing Co., Ltd. is required to gratuitously assign, and Yantai Municipal Caijin Development and Investment Group Co., Ltd. as the assignee agreed to accept the Debt Assignment. The book value of the debt assigned amounted to RMB65.4 million, representing 0.09 per cent. of the Guarantor's consolidated net assets as at 31 December 2020. The transactions in relation to gratuitously equity transfer and debt assignment have been completed.

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

For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group's revenue increased as a result of the increase of revenue generated from its chemical business, primarily attributable to the increase in the average selling prices of main products. As a result, the Group's operating cost and income tax expenses increased accordingly. For the nine months ended 30 September 2020, as compared to the same period in the preceding year, the Group's finance expenses increased primarily attributable to the increase in interest expenses; the Group's impairment losses on assets increased significantly primarily attributable to the increase in impairment loss on engineering materials; the Group's other income decreased primarily attributable to the decrease in government grants as the Group received more government grants for the nine months ended 30 September 2020 in response to the COVID-19 pandemic; and the Group's non-operating expenses increased significantly primarily attributable to the increase in losses from damage or scrapping of the Group's certain facilities and equipment.

As at 30 September 2021, as compared to the financial position as at 30 June 2021, the Group's short-term borrowings and long-term borrowings both increased primarily due the new facility agreements the Group entered into with certain banks and financial institutions; the Group's contract liabilities increased primarily due to the increase in prepayments from customers in line with the Group's increased products sales volume; the Group's non-current liabilities due within one year increased primarily due to the reclassification of long-term borrowings and lease liabilities due within one year to non-current liabilities due within one year; and the Group's other current liabilities increased as a result of the issuance of super short-term financing papers in 2021.

Such financial information has not been subject to an audit or review by the Group's independent auditors and should not be relied upon by investors to provide the same quality of information associated with audited or reviewed financial information. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations. The Group's financial information as at and for the nine months ended 30 September 2021 does not form a part of this Offering Circular and is not necessarily indicative of the results of operations as at and for the full financial year ending 31 December 2021. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. See *“Risk Factors – Risks relating to the Group and Its Business – Investors should not place any reliance on the financial information which is unreviewed or unaudited and shall not place undue reliance on the discussion of material financial trends in relation to the Group's unaudited and unreviewed financial information”*.

Issuance of Super Short-term Commercial Papers

On 1 November 2021, the Guarantor issued the 1 November 2021 Commercial Paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days. The 1 November 2021 Commercial Paper bears a fixed annual interest rate of 2.5 per cent., payable on 30 July 2022. On 8 November 2021, the Guarantor issued the 8 November 2021 Commercial Paper in an aggregate principal amount of RMB500.0 million with a tenor of 270 days. The 8 November 2021 Commercial Paper bears a fixed annual interest rate of 2.5 per cent., payable on 6 August 2022. As at the date of this Offering Circular, the entire principal amount of the 1 November 2021 Commercial Paper and the 8 November 2021 Commercial Paper remains outstanding.

Issuance of Renewable Corporate Bonds

On 15 September 2021, the Guarantor issued the September Renewable Corporate Bonds in an aggregate principal amount of RMB1.5 billion with a fixed annual interest rate of 3.68 per cent. and an initial tenor of three years. The Guarantor is entitled, at the end of the initial tenor, to exercise its renewable option to extend the term of the September Renewable Corporate Bonds for another three years. The September Renewable Corporate Bonds were listed on the Shanghai Stock Exchange on 23 September 2021. On 12 November 2021, the Guarantor issued the November Renewable Corporate Bonds in an aggregate principal amount of RMB2.0 billion with a fixed annual interest rate of 3.58 per cent. and an initial tenor of three years. The Guarantor is entitled, at the end of the initial tenor, to exercise its renewable option to extend the term of the November Renewable Corporate Bonds for another three years. The November Renewable Corporate Bonds were listed on the Shanghai Stock Exchange on 17 November 2021. The September Renewable Corporate Bonds and the November Renewable Corporate Bonds are classified as other equity instruments of the Group.

COMPETITIVE STRENGTHS

The Group believes that the following strengths are important to its success and future development:

The First State-owned Capital Investment Enterprise in Yantai City with Strategic Importance

The Group is the largest state-owned enterprise in terms of total assets, and the primary entity for the investment and management of state-owned assets in Yantai City. As at 30 June 2021, total assets and net assets of the Group amounted to RMB225.4 billion and RMB84.4 billion, respectively.

In October 2017, the Yantai Municipal Government officially restructured the Group into the first state-owned asset investment enterprise in Yantai City. Since then, the Group has been positioned as a holding platform of state-owned assets, a connector of industry-finance integration and the emerging market operator in Yantai City. Adhering to the strategic planning of the Yantai Municipal Government, the Group has comprehensively served to the industrial transformation and upgrade in Yantai City by undertaking important provincial and municipal projects, such as the construction and operation of Yulong Petrochemical Industrial Park (裕龍石化產業園), Oriental Aerospace Port Industrial Park (東方航天港產業園) and Biomedicine Health Industrial Park (生物醫藥健康產業園), as well as strategic projects in sectors such as semiconductor packaging and testing and deep sea economy. For details on these industrial parks, please see “– Description of the Group’s Business – Other Businesses”.

In addition, the Group is led and managed by municipal cadres appointed by the Standing Committee of the Yantai People’s Congress, with the Group’s performance being assessed by Yantai SASAC. Furthermore, Yantai SASAC also supervises and approves matters of the Group in relation to areas including strategic planning, major restructuring and capital operations. The scale and nature of work carried out by the Group, together with the operational and supervisory emphasis placed on the Group by the Yantai Municipal Government, have all demonstrated the strategic important of the Group as being the first state-owned asset investment and management entity in Yantai City.

Prominent Shareholder Background with Strong Government Support

The Group is wholly-owned by Yantai SASAC, which is a government organ of the Yantai Municipal Government. Since its incorporation, the Group has received strong government support in various forms such as asset transfer and capital injection. In October 2017, Yantai Municipal Government gratuitously transferred its equity interest in Wanhua Industrial Group Co., Ltd. (萬華實業集團有限公司), Yantai Moon Group Co., Ltd. (煙台冰輪集團有限公司) and Yantai Tayho Advanced Materials Group Co., Ltd. (煙台泰和新材集團有限公司) to the Guarantor. In September 2019, Yantai SASAC further transferred its equity interest in Yantai Guosheng Investment Holding Co., Ltd., Yantai Wanhua Synthetic Leather Group Co., Ltd. (煙台萬華合成革集團有限公司) (“**Wanhua Synthetic Leather**”) and Yantai Mingxiang Holding Co., Ltd. (煙台銘祥控股有限公司) to the Group. On the other hand, in October 2019, Yantai SASAC approved the increase of the Group’s registered capital funded by its capital reserve. As a result, the Group’s registered capital increased from RMB1.0 billion to RMB10.0 billion. The Group consistently receives government grants and other preferential policies from the Yantai Municipal Government with the aim of supporting its development. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group received government grants of 1,094.7 million, RMB997.3 million, RMB959.4 million, RMB521.6 million and RMB360.1 million, respectively.

Sound Asset Structure and Diversified Financing Channels

The Group benefits from a sound asset structure with good credit standings. In June 2019, the Group received an “AAA” rating by China Chengxin International Rating Co., Ltd (中誠信國際信用評級有限責任公司) with a stable outlook. In December 2020, the Group also received a “BBB+” rating with a stable outlook by Fitch, which is the highest rating by international credit agencies among all prefecture-level state-owned enterprises in Shandong Province. In addition, the Group is in close working relationship with major financial institutions including Bank of China, Agricultural Bank of China, China Construction Bank, Industrial Commercial Bank of China, China Minsheng Bank, China Everbright Bank, Huaxia Bank, Bank of Qingdao, Ping An Insurance (Group) Company of China, Ltd., the People’s Insurance Company (Group) of China, Shanghai Pudong Development Bank, Hengfeng Bank and Bank of Communication. As at 30 June 2021, the Group had total credit facilities of approximately RMB162.6 billion, of which approximately RMB75.3 billion has not been utilised. Furthermore, the Group’s subsidiaries Wanhua Chemical, Moon Technology, Tayho Advanced Materials and Seal-tech are all listed companies with independent and unimpeded financing channels of their own. As at 30 June 2021, the Group’s total interest-bearing indebtedness (comprising short-term borrowings, non-current liabilities maturing within one year (interest-bearing portion), other-current liabilities (interest-bearing portion), long-term borrowings, bonds payable and long-term payables (interest-bearing portion)) amounted to RMB98,860.3 million, representing 43.9 per cent. of the Group’s total assets. The Group believes that it will continue to have access to sufficient capital to support its business operations and expenses in the future.

Comprehensive Management System with Robust Risk Management Mechanism

The Group has set up a comprehensive internal management system to oversee different aspects of its operations. The Group’s internal management system consists of its board of directors, general manager office, investment committee, project team, compliance department and other functional departments. Primary duties of these major components of the Group’s internal management system are set forth as follows:

- the board of directors is the leading decision-making body for risk management, and is ultimately responsible for the establishment and effective operation of the Group’s overall risk management system;
- the general manager’s office is the deliberative and decision-making body for the Group’s daily operations. According to established risk strategies, the general manager’s office organizes and implements risk management measures to ensure that business development is commensurate with the level of risk tolerated;
- the investment committee is a subordinate body of the board of directors, which deliberates the matters decided or approved by the board of directors, and provides support for relevant decision-makings of the board of directors;

- compliance department is the functional department responsible for daily risk management; and
- other functional departments are the front line of risk management and perform direct duties of risk management.

Under its internal management system, the Group established a robust risk management mechanism consisting of five levels. Firstly, investment proposals will be internally reviewed by project teams or functional departments responsible for submitting the proposals. Secondly, project teams or functional departments will amend investment proposals based on results of the internal review. The amended proposal will be submitted to the Group's investment decision committee for review and approval. Upon the approval by the investment decision committee, the proposals will be established as investment projects. Thirdly, legal and financial due diligence will be conducted and a project due diligence report will be produced. Fourthly, the finalised investment proposal, together with the due diligence report, will be submitted to the investment decision committee for further review and approval. Finally, upon the approval of the investment decision committee, the investment project will be submitted to the board of directors for final review and approval. The Group's risk management mechanism operates under the principles of soundness, effectiveness, cost-effectiveness and risk control, while on the other hand also taking into account the economic and social benefits of each investment proposal.

Professional Management Team with In-depth Industrial Knowledge and Expertise

The Group has an experienced management team with extensive knowledge in industries of which the Group operates within. The Group believes its success is largely built on the expertise and excellence of its board members and senior management team, all of whom have previously worked with large state-owned enterprises, listed companies or various government agencies of the Yantai Municipal Government. See “*Directors, Supervisors and Senior Management*” for more details. Besides, the Group has garnered significant support from its experienced management team. Wu Jiang (武江) and Wang Xibing (王西兵), deputy general managers of the Guarantor, and Sui Shengqiang (隋勝強) and Wang Xiaoyan (王曉燕), assistants to general manager of the Guarantor, have rich industry knowledge and provide continuous support to the Group. In addition, the Group's management team is supported by skilled and well-trained employees. With an experienced management team and competent employees, the Group has been able to achieve, and believes it will continue to achieve, efficient management of the operations of the Group.

BUSINESS STRATEGIES

As the first state-owned asset investment and management entity in Yantai City, the Group intends to take on a leading role in the state-owned enterprise reform by continuing exploring alternative pathways for state-owned asset investment enterprise reform. The Group intends to focus on the following business strategies:

Continue to Integrate the Industrial Chain

As a holding platform of state-owned assets, a connector of industry-finance integration and the emerging market operator in Yantai City, the Group plays an important role in the strategic planning and operation of many major industrial transformation projects. The Group believes that its business expansion to semiconductor, new energy automobile, deep sea economy and “Dual Carbon (雙碳)” industries will continue to fulfil the Group's goal of industrial chain integration.

- In 2020, the Group, through the Intelligent Technology Acquisition Fund (智能科技併購基金) jointly established by the Group and Beijing Wise Road Asset Management Co., Ltd. (北京智路資產管理有限公司), acquired UTAC Holdings Ltd., the world's leading enterprise engaged in integrated circuit packaging and testing, with a total investment amount of approximately U.S.\$465.0 million. This acquisition brought the world's leading automotive-level and wafer-level packaging technology to Yantai City, and facilitated the Group's plan to build a world-class packaging and testing base, and research and development centre.

- The Group invested approximately RMB10.0 billion in Baoya New Energy Automobile Project (寶雅新能源項目) with an aim to mass produce automobiles including fuel and new energy passenger vehicles and commercial vehicles as well as automotive core components. The project covers an area of more than 0.5 square kilometres. The project commenced in September 2020 and the Group launched the production line for its first prototype vehicle in June 2021.
- At the General Debate of the 75th Session of the United Nations General Assembly, President Xi Jinping introduced China's 2030 Carbon Emission Peak Concept targeting to reduce carbon emissions after reaching the peak at 2030 and achieving carbon neutrality before 2060. Later in 2021, the 14th Five-Year Plan proposed targets and measures for strengthening energy-saving and carbon reduction. Under this background, the Group established Shandong Carbon Neutrality Development Group Co., Ltd. (山東碳中和發展集團有限公司) in August 2021. Leveraging on the professional support of scientific research institutions, the Group intends to integrate resources and advantages of Yantai City in manufacturing and clean energy.
- With respect to the strategic position of the development of marine economy in Yantai, the Group, in cooperation with Shandong Marine Group Ltd. (山東海洋集團有限公司), plans to invest RMB2.0 billion in the Lankunhao Project (藍鯤號項目), which aims to build the world's first super-large offshore oilfield facilities integrated construction, installation and dismantlement. In addition, the Group, in cooperation with China International Marine Containers (Group) Ltd. (中國國際海運集裝箱(集團)股份有限公司), plans to establish Yantai Jinghai Marine Fishery Joint Venture, a construction entity of the Marine Ranching Project, in order to implement the Hundred-Box Program proposed by Yantai Municipal Government.

Continue to Attract and Promote Investment

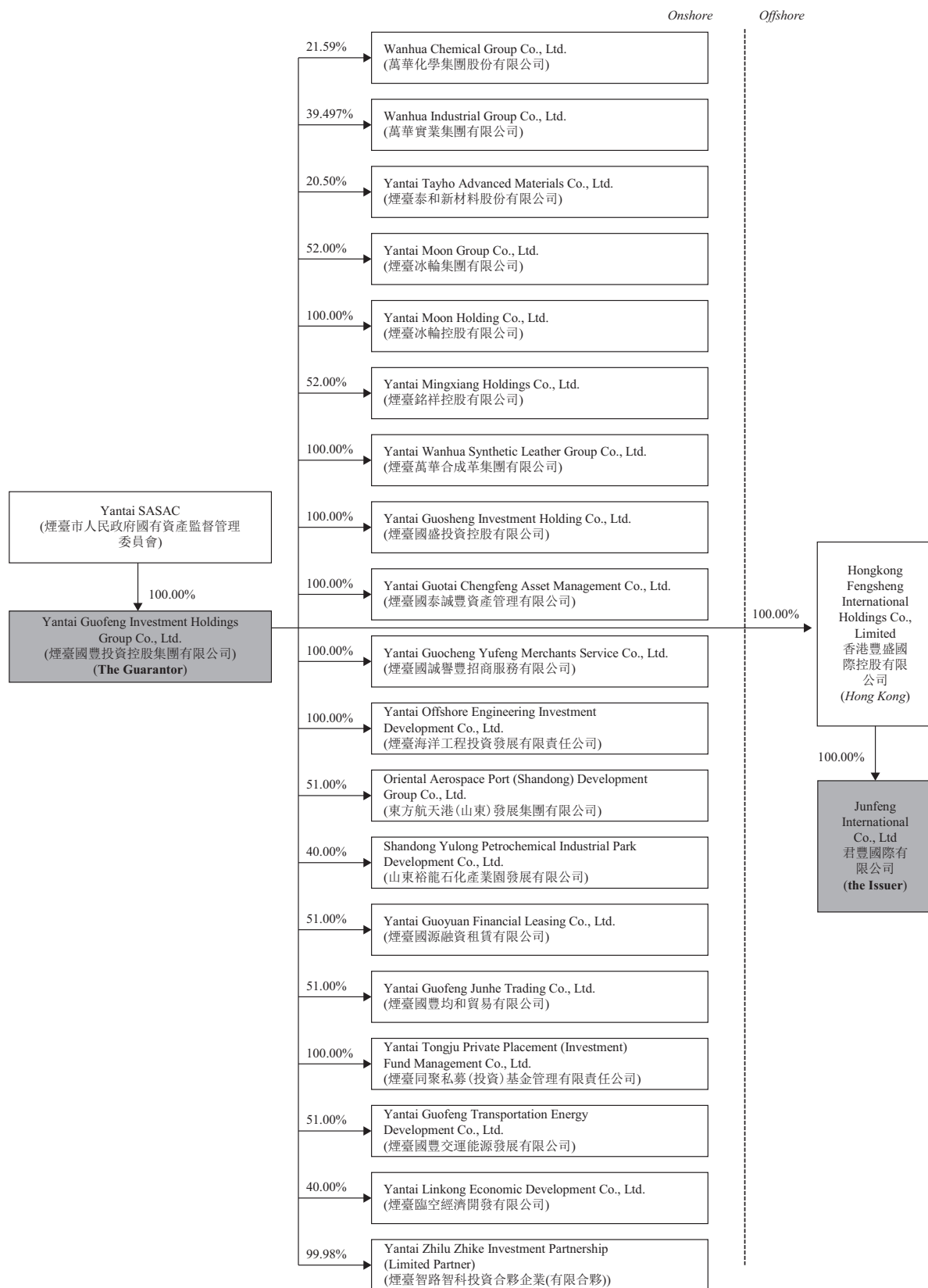
In May 2019, the Group established the first state-owned investment service company in Yantai City, Yantai Guocheng Yufeng Investment Service Co., Ltd. (煙臺國誠譽豐招商服務有限公司), and further established three economic cooperation centres representing Yantai City in Japan, South Korea and Hong Kong by integrating Overseas Business Representative Offices of Yantai Municipal Government (煙臺市政府境外商務代表處). The Group plans to continuously carry out domestic and foreign investment promotion work, assist to build an overseas investment cooperation platform and provide related services, which it believes will benefit the Group's business operation as a whole.

Continue to Optimise Business Layout

The Group believes that a diversified business portfolio is able to create synergy and benefit the Group's business operation. While the Group intends to maintain its existing competitiveness, it plans to continue diversifying its business layout and expanding into industries that will provide synergies with the Group's existing businesses. To achieve this goal, the Group tapped into the financial leasing industry through the incorporation of Yantai Guoyu Financial Leasing Co., Ltd. in 2009 and Yantai Guoyuan Financial Leasing Co., Ltd. (煙台國源融資租賃有限公司) in 2020. Leveraging the gradual development of its financial leasing business, the Group believes that it will continue to optimise its business layout, provide financial support to key infrastructure construction projects and lay a solid foundation for the industrial development of Yantai City.

GROUP STRUCTURE

The following chart presents a simplified corporate structure of the Group as at 30 June 2021:



HISTORY AND DEVELOPMENT

Pursuant to the Response on Matters Concerning the Establishment of Yantai Guofeng Investment Holdings Co., Ltd. by the Yantai Municipal Government (Yan Zheng Han (2008) No.113) (煙臺市人民政府關於設立煙臺國豐投資控股有限公司有關事宜的批覆(煙政函(2008)113號)) and the Approval Concerning the Establishment of Yantai Guofeng Investment Holdings Co., Ltd. (Lu Guozi Guihua Han (2009) No.9) (關於同意設立煙臺國豐投資控股有限公司(魯國資規劃函(2009)9號)) issued by Shandong Provincial State-owned Assets Supervision and Administration Commission (山東省國有資產監督管理委員會), the Guarantor was incorporated by Yantai SASAC on 12 February 2009, with an initial registered capital of RMB100.0 million. As at the date of this Offering Circular, the Guarantor has a registered capital of RMB10.0 billion.

The table below sets forth selected key milestone events in the history of the Guarantor and the Group:

Year	Milestone Event
February 2009	The Guarantor was incorporated by Yantai SASAC with an initial registered capital of RMB100.0 million.
October 2017	Pursuant to the approval by the Yantai Municipal Government, Yantai SASAC gratuitously transferred certain equity interests in Wanhua Industrial Group Co., Ltd., Yantai Moon Group Co., Ltd. and Yantai Tayho Advanced Materials Group Co., Ltd. to the Guarantor. Afterwards, Wanhua Industrial Group Co., Ltd., Yantai Moon Group Co., Ltd. and Yantai Tayho Advanced Materials Group Co., Ltd. became subsidiaries of the Guarantor.
October 2018	The newly formed Group started its operation.
February 2019	Wanhua Chemical completed the merger by absorption between Wanhua Chemical and Yantai Wanhua Chemical Co., Ltd. (煙台萬華化工有限公司). Yantai Wanhua Chemical Co., Ltd. was then dissolved by deregistration. Through such transaction, Wanhua Chemical completed the overall listing plan of its chemical business.
June 2019	The Group has been given an AAA rating with a stable outlook by China Chengxin International Credit Rating Co., Ltd (中誠信國際信用評級有限責任公司).
September 2019	Pursuant to the approval by the Yantai Municipal Government, Yantai SASAC gratuitously transferred certain equity interests in Yantai Guosheng Investment Holding Co., Ltd., Wanhua Synthetic Leather and Yantai Mingxiang Holding Co., Ltd. into the Guarantor.
October 2019	The registered capital of the Guarantor was increased to RMB10.0 billion.
January 2020	The Guarantor was renamed from Yantai Guofeng Investment Holdings Co., Ltd. (煙台國豐投資控股有限公司) to Yantai Guofeng Investment Holdings Group Co., Ltd.
September 2020	Tayho Advanced Materials completed the merger by absorption between Tayho Advanced Materials and Yantai Tayho Advanced Materials Group Co., Ltd. Yantai Tayho Advanced Materials Group Co., Ltd. was then dissolved by deregistration. Through such transaction, Tayho Advanced Materials completed the overall listing plan of its high performance fibres production business.
December 2020	The Group has been given a BBB+ rating with a stable outlook by Fitch, which is the highest rating by international credit agencies among all prefecture-level state-owned enterprises in Shandong Province.

RELATIONSHIP WITH YANTAI SASAC AND THE YANTAI MUNICIPAL GOVERNMENT

The Guarantor is wholly owned by Yantai SASAC, which is a government organ of the Yantai Municipal Government. As a leading state-owned enterprise in Yantai City, the Group has extensive connections with other entities directly or indirectly controlled by Yantai SASAC or the Yantai Municipal Government.

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

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, none of these circulars prohibit the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships among the Issuer, the Guarantor, Yantai SASAC and the Yantai Municipal Government in this Offering Circular does not imply in any way any explicit or implicit credit support of Yantai SASAC and the Yantai Municipal Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer or the Guarantor. See also the risk factors entitled *"A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition, results of operations and prospects"* and *"Yantai SASAC and the Yantai Municipal Government may exert significant influence over the Group, and may not act in the best interests of the Group"* in the section entitled *"Risk Factors – Risks Relating to the Group's and Its Business"*.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is a leading state-owned conglomerate based in Yantai City, Shandong Province. Leveraging on over 10 years of profound operational experience, the Group has built up a diversified business portfolio including chemical business, energy equipment sales and services, high performance fibres production and commodities trading. The Group also expands its footprints in the operation and management of industrial parks and project investment with an aim to generate stable revenue and supplement its primary businesses. As at 30 June 2021, the Group held four publicly-listed subsidiaries in the PRC, namely Wanhua Chemical, Moon Technology, Tayho Advanced Materials and Seal-tech.

The following table sets forth a breakdown of the total revenue from each business segment of the Group for the years indicated:

	For the year ended 31 December						For the six months ended			
	2018		2019		2020		2020		2021	
	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions)	
Chemical business	72,481.4	90.3	67,783.0	88.7	73,297.5	86.9	30,738.0	89.0	67,574.1	86.4
Energy equipment and sales services	4,066.5	5.1	3,815.5	5.0	4,043.7	4.8	1,603.1	4.6	2,346.5	3.0
High performance fibres production	2,170.7	2.7	2,540.3	3.3	2,439.7	2.9	1,040.0	3.0	2,125.0	2.7
Commodities trading	—	—	— ⁽¹⁾	— ⁽¹⁾	2,891.0 ⁽²⁾	3.4 ⁽²⁾	— ⁽¹⁾	— ⁽¹⁾	5,390.1 ⁽³⁾	6.9 ⁽³⁾
Other businesses ⁽⁴⁾	1,538.4	1.9	2,289.2	3.0	1,679.2	2.0	1,153.7	3.3	753.9	1.0
Total	80,256.9	100.0	76,428.0	100.0	84,351.1	100.0	34,534.7	100.0	78,189.5	100.0

Notes:

- (1) The Group started its commodities trading business in September 2019 when the Group acquired Wanhua Synthetic Leather. Revenue generated from the Group's commodities business for the year ended 31 December 2019 and the six months ended 30 June 2020 was recorded in the Group's other businesses.
- (2) Revenue generated from the Group's commodities businesses for the year ended 30 December 2020 was re-classified as a separate sub-segment.
- (3) Revenue generated from the Group's commodities businesses for the six months ended 30 June 2021 was re-classified as a separate sub-segment.
- (4) Other businesses primarily include the operation and management of industrial parks and project investment.

The following table sets forth a breakdown of the total gross profit and gross profit margin from each business segment of the Group for the years indicated:

	For the year ended 31 December						For the six months ended			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)	(RMB in millions)	(%)
Chemical business	26,286.3	36.3	19,000.0	28.0	19,532.3	26.7	6,084.4	19.8	20,947.1	31.0
Energy equipment and sales services	1,146.7	28.2	1,124.5	29.5	1,069.0	26.4	451.5	28.2	495.2	21.1
High performance fibres production	382.9	17.6	625.6	24.6	694.5	28.5	265.8	25.6	835.6	39.3
Commodities trading	—	—	— ⁽¹⁾	— ⁽¹⁾	30.2 ⁽²⁾	1.0 ⁽²⁾	— ⁽¹⁾	— ⁽¹⁾	45.0 ⁽³⁾	0.8 ⁽³⁾
Other businesses ⁽⁴⁾	245.5	16.0	826.6	36.1	778.1	245.5	484.8	1.4	440.8	6.0
Overall	28,061.3	35.0	21,576.6	28.2	22,104.1	26.2	7,286.5	21.1	22,763.6	29.1

Notes:

- (1) The Group started its commodities trading business in September 2019 when the Group acquired Wanhua Synthetic Leather. Gross profit generated from the Group's commodities business for the year ended 31 December 2019 and the six months ended 30 June 2020 was recorded in the Group's other businesses.
- (2) Gross profit generated from the Group's commodities businesses for the year ended 30 December 2020 was re-classified as a separate sub-segment.
- (3) Gross profit generated from the Group's commodities businesses for the six months ended 30 June 2021 was re-classified as a separate sub-segment.
- (4) Other businesses primarily include the operation and management of industrial parks and project investment.

Chemical Business

Overview

Chemical business is the core business segment of the Group and the primary source of revenue for the Group's business operations. The Group conducts its chemical business through the Guarantor's subsidiary Wanhua Chemical, which has been listed on the Shanghai Stock Exchange (stock code: 600309.sh) since 2001. Wanhua Chemical has a strong track record of manufacturing innovation, product innovation and close customer relationships that underpin its goal of developing market-driven solutions. Wanhua Chemical is mainly engaged in the research and development as well as the manufacturing and sales of (i) raw materials used in the production of polyurethane series products, (ii) petrochemical products as well as (iii) fine chemicals and new materials. The products produced by Wanhua Chemical are further processed by customers to manufacture products used in various fields, including transportation, construction, wood, furniture, electronics, sports, cosmetics, health and chemicals. Demonstrated by its proven track record, Wanhua Chemical is a major supplier of MDI, ADI, polyether and TPU across the world as well as a major TDI supplier in Europe. According to the *C&EN Magazine*, Wanhua Chemical ranked 29th among all chemical enterprises worldwide in terms of total sales of chemical products.

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's chemical business was RMB72,481.4 million, RMB67,783.0 million, RMB73,297.5 million, RMB30,738.0 million and RMB67,574.1 million, respectively, representing 90.3 per cent., 88.7 per cent. 86.9 per cent., 89.0 per cent. and 86.4 per cent., respectively, of the Group's total revenue for the same periods.

Products Line

Wanhua Chemical is a world-renowned company for its production of key component chemicals used for the manufacturing of polyurethane series products such as MDI, TDI and polyether polyols. Petrochemical products manufactured and sold by Wanhua Chemical include ethylene, propylene, HPDE, LLPDE, polypropylene, PVC and acrylic acid. Fine chemicals and new materials manufactured and sold by Wanhua Chemical include SAP, PC, PMMA, organic amine, ADI and water-based paint. Such products are widely used in various fields, such as aerospace, aviation, automobiles, energy-saving and environmentally-friendly building materials, textiles and household appliances.

Raw Materials used in the Production of Polyurethane Series Products

Polyurethane series products are widely used in various industries and sectors including chemical industry, light industry, textile production, construction sector, household electrical appliances, construction materials and transportation. Wanhua Chemical's polyurethane product line features the production and sales of MDI (consisting of pure MDI and polymeric MDI), TDI and polyether polyols, which are the principal raw materials for manufacturing polyurethane series products.

- MDI is the principal raw material used for the manufacturing of polyurethane elastomer, polyurethane hard and semi-hard foam plastics, which is widely used in the fields of thermal insulation, electric insulation, decoration, artificial wood, construction and waterproof.

- TDI is the principal raw material used for the manufacturing of polyurethane flexible foam, which is widely used in the fields of transportation, furniture, clothing, plastics, adhesives and paints.
- Polyether polyols are normally used in connection with MDI for the manufacturing of polyurethane series products. Polyether polyols are mainly used in the fields of household appliances, building boards, automobiles, furniture, refrigerated containers, cold storage, pipeline insulation, imitation wood and imitation ceramic products.

Petrochemicals

Wanhua Chemical's petrochemical production features the production and sales of ethylene, propylene, HDPE, LLDPE, polypropylene, PVC, neopentyl glycol, acrylic acid and acrylate. Wanhua Chemical's petrochemical products are widely used in the manufacturing of construction materials, home appliances, rubber products, oil products, paints, adhesives, plasticisers, SAP, injection moulds, blow moulds, piping, films, automotive parts, high-end medical instruments and consumer products.

Fine Chemicals and New Materials

The fine chemicals and new materials product portfolio includes ADI products, specialty amine products as well as silicone and special function chemicals.

- ADI products include HDI, HDI adducts, HMDI and IPDI, which are weather resistance. ADI products are widely used in high-end fields such as automobile coatings, wood coatings, rail transit coatings, high-performance elastomers, water-based polyurethane resins and polyurethane adhesives.
- Specialty amine products include IPDA and polyurethane catalysts, which are mainly used in industries such as insulating paint, dye intermediates, coatings, wind power and polyurethane.
- Silicone is temperature resistant, weather resistant and electronic insulated, which are used in electronics, packaging, building curtain walls and insulating glass. Special function chemicals are widely used in fine chemical, pharmaceutical, pesticide and perfume industries.

Business Model

Wanhua Chemical primarily conducts its chemical production and sales business on a business-to-business model.

Procurement Stage

The major raw materials procured by Wanhua Chemical for its chemical production business include pure benzene, coal, liquefied petroleum gas and salt. Wanhua Chemical actively explores stable supply channels in the PRC and abroad and is aimed at establishing a strong strategic relationship of cooperation with major chemical suppliers. In order to obtain a stable supply of raw chemical materials at a low procurement cost, Wanhua Chemical conducts its procurement of raw materials by entering into various types of procurement contracts such as fixed price contracts and floating price contracts.

Production Stage

Wanhua Chemical has established six key production bases in Shandong Province, Zhejiang Province, Sichuan Province, Fujian Province and Guangzhou Province in China as well as in Hungary. To provide its customers with competitive products and comprehensive solutions, Wanhua Chemical has also set up research and development centres in China, North America and Europe. Wanhua Chemical's production model is based on a combination of localised production management and centralised supervision and coordination. Wanhua Chemical sets out monthly production targets according to annual production plan and makes adjustments to the production targets according to market demands and equipment conditions.

The following table sets forth the production volume of Wanhua Chemical by product lines for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	(tonnes)		
Polyurethane series products	2,305,062	2,682,387	2,871,796
Petrochemical products	1,792,973	1,990,066	1,879,133
Fine chemicals and new materials	309,192	426,902	573,005
Total	4,407,227	5,099,355	5,323,934

Sales Stage

After completing the manufacturing process, Wanhua Chemical conducts its sale of chemical products primarily through direct sales or distribution model.

The following table sets forth the sales volume of Wanhua Chemical by product lines for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	(tonnes)		
Polyurethane series products	2,333,224 ⁽¹⁾	2,619,603	2,884,384 ⁽¹⁾
Petrochemical products ⁽²⁾	4,154,390	4,439,672	6,282,957
Fine chemicals and new materials	301,906	414,670	554,944
Total	6,789,520	7,473,945	9,722,285

Notes:

- (1) Wanhua Chemical sold part of its polyurethane series products in stock, which resulted in its annual sales volume of polyurethane series products higher than its production volume.
- (2) Wanhua Chemical's sales volume of petrochemical products is higher than its production volume because Wanhua Chemical sold part of the liquefied petroleum gas, classified as a petrochemical product, purchased from third parties for trading purposes.

The following table sets forth the average selling price of Wanhua Chemical by product lines for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	(RMB per tonne)		
Average selling price of polyurethane series products .	16,784	12,161	11,932
Average selling price of petrochemical products	4,999	4,528	3,674
Fine chemicals and new materials	18,874	17,093	14,322

Energy Equipment Sales and Services

Overview

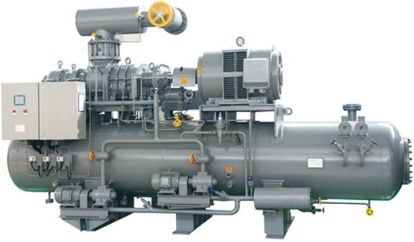
The Group conducts its energy equipment sales and services business primarily through the Guarantor's subsidiary, Moon Technology, which has been listed on the Shenzhen Stock Exchange (Stock Code: 000811.sz) since 1998. Moon Technology is a leading enterprise in research and development as well as manufacturing and sales of low-temperature refrigeration equipment in the PRC. Moon Technology has developed a full-chain industrial layout covering seven industrial clusters, including low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment, energy-saving heating equipment, precision castings, hydrogen energy equipment and digital intelligence services. Among them, low-temperature refrigeration equipment for industrial and commercial uses, central air conditioning equipment and energy-saving heating equipment are Moon Technology's major industrial clusters. Founded in 1956, Moon Technology is a diversified and international comprehensive equipment industry group enterprise which endeavours to provide integrated application systems and engineering equipment products all around the world. Moon Technology was awarded "Meritorious Enterprise of Equipping China" by China Machinery Industry Federation in 2011, the Top 100 China Machinery Industry Company by China Machinery Industry Federation and China Association of Automobile Manufacturers for consecutive two years from 2020 to 2021. In addition, Moon Technology was awarded the Top 30 Enterprises with Core Competitiveness in China's Machinery Industry (中國機械工業核心競爭力30佳) and Demonstration Enterprise for Ozone Layer Protection (保護臭氧層示範企業).




For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's energy equipment sales and services business was RMB4,066.5 million, RMB3,815.5 million, RMB4,043.7 million, RMB1,603.1 million and RMB2,346.5 million, respectively, representing 5.1 per cent., 5.0 per cent. 4.8 per cent., 4.6 per cent. and 3.0 per cent., respectively, of the Group's total revenue for the same periods.

Low-Temperature Refrigeration Equipment

The major low-temperature refrigeration equipment products manufactured by the Group are low-temperature refrigeration sets, including screw refrigeration compressor units, freon units and compressor condensing units. Screw refrigeration compressor units are widely used in food freezing and refrigeration, process cooling and gas liquefaction. Freon units are suitable for small refrigeration systems, which include piston condensing units, special frequency conversion units for quick freezer, semi-hermetic piston parallel units and semi-hermetic screw parallel units. Compressor condensing units are widely used in process cooling and low-temperature refrigeration in various fields such as coal chemical, petrochemical, natural gas chemical and pharmaceutical chemical industries.

The following table sets forth the Group's major screw refrigeration compressor units as at 30 June 2021:

	Product type	Product overview
	<p>Open-type single-stage screw refrigeration compressor unit (開啟式單級螺桿製冷壓縮機組)</p>	<ul style="list-style-type: none"> Exhaust volume range: 285m³/h – 14000m³/h Compression working fluid: R717, R507, R404, etc. Control mode: automatic, manual and semi-automatic Nominal cooling capacity <ul style="list-style-type: none"> (1) High temperature working condition (+40°C/+5°C): 316KW/239KW – 15,523KW/11,740KW (2) Medium temperature working condition (+40°C/-10°C): 175KW/161KW – 8,597KW/7,910KW (3) Low temperature working condition (+40°C/-35°C): 62/63KW – 3,046 KW/3,095KW
	<p>Open-type compound two-stage screw refrigeration compressor unit (開啟式單機雙級螺桿製冷壓縮機組)</p>	<ul style="list-style-type: none"> Compression working fluid: R717, R507, R404, etc. Nominal working condition: +40°C/-35°C Nominal cooling capacity: 139KW – 1,262KW Application range: low temperature conditions where the evaporation temperature is lower than -25°C

	Product type	Product overview
	Open-type skid-mounted separate two-stage screw refrigeration compressor unit (開啟式雙機雙級螺桿撬裝機組)	<ul style="list-style-type: none"> • Compression working fluid: R717, R507, etc. • Nominal working condition: +40°C/-40°C • Nominal cooling capacity: 117KW – 1,450KW (R717), 157KW – 2,142KW (R507)
	Semi-hermetic screw refrigeration compressor unit (半封閉螺桿製冷壓縮機組)	<ul style="list-style-type: none"> • Compression working fluid: R507, R744, etc. • Nominal working condition: +40°C/-40°C – +7°C • Nominal cooling capacity: 74.8KW – 1,652KW
	Hermetic screw refrigeration compressor unit (全封閉螺桿製冷壓縮機組)	<ul style="list-style-type: none"> • Cooling capacity under air conditioning conditions: 457KW – 2,826KW • Cooling capacity under ice storage conditions: 275KW – 1,694KW

For sales of low-temperature refrigeration equipment products, the Group adopts direct sales model as its primary selling method with distribution model as a supplement. The Group's downstream customers come from a wide range of industries including food cold chain, petrochemicals, and pharmaceuticals industries.

The following table sets forth the Group's operating information of low-temperature refrigeration equipment production for the years indicated:

	As at and for the year ended 31 December		
	2018	2019	2020
Production capacity (sets)	8,500	8,500	11,000
Output (sets)	8,279	8,191	10,509
Output ratio (%) ⁽¹⁾	97.4	96.4	95.5
Sales volume (sets)	8,229	8,226	10,317
Sales ratio (%) ⁽²⁾	99.4	100.4	98.2

Notes:

- (1) Output ratio is calculated by dividing the Group's actual output for the year/period by the production capacity for the year/period.
- (2) Sales ratio is calculated by dividing the Group's actual sales volume for the year/period by the actual output for the year/period.

Central Air Conditioning Equipment

Moon Technology is committed to providing more stable and reliable HVAC heat pump as well as integrated solutions for energy-saving and environment-friendly computer room system. In 2012, Yantai Moon Group (Hong Kong) Limited (煙台冰輪集團(香港)有限公司) acquired Dunham-Bush (China) Co., Ltd. (頓漢布什(中國)工業有限公司), which further strengthens the Group's central air conditioning business. Currently, the Group's central air conditioning equipment products can be divided into three major types, namely water-cooled chiller units (冷水機組), variable refrigerant flow chiller units (冷媒變流量機組) and water and geothermal heat pump units (水地源熱泵機組).

The Group sells its central air conditioning equipment products to customers through direct sales or distribution model. The Group's downstream customers for central air conditioning equipment come from a wide range of industries including domestic rail transit, commercial properties, energy and electricity and pharmaceutical industries.

The following table sets forth the Group's operating information of central air conditioning equipment production for the years indicated:

	As at and for the year ended 31 December		
	2018	2019	2020
Production capacity (unit)	800	800	900
Output (unit)	783	788	836
Output ratio (%) ⁽¹⁾	97.9	98.5	92.9
Sales volume (unit).	777	791	822
Sales ratio (%) ⁽²⁾	99.2	100.4	98.3

Notes:

- (1) Output ratio is calculated by dividing the Group's actual output for the year/period by the production capacity for the year/period.
- (2) Sales ratio is calculated by dividing the Group's actual sales volume for the year/period by the actual output for the year/period.

In addition, the Group has been focusing on the research and development of central air conditioning equipment products with high technologies and has received various awards and recognitions for its central air conditioning products. For example, in 2018, Moon Technology was awarded the "China CO₂ Application Promotion Award (中國二氧化碳應用推進獎)" by China Industrial Gases Industry Association (中國工業氣體工業協會) and was recognised as one of the first AAA credit enterprises in China's refrigeration and air conditioning industry by China Refrigeration and Air-conditioning Industry Association (中國製冷空調工業協會). The NH₃/CO₂ Screw Complex Refrigeration System developed by Moon Technology was awarded the "40th Anniversary of Chinese Economic Reform – Outstanding Products in Machinery Industry (改革開放40周年 – 機械工業傑出產品)" by China Machinery Industry Federation (中國機械工業聯合會). The evaporative cooling products manufactured by Dunham-Bush (China) Co., Ltd. were awarded the "Creative Intelligence Award (創智獎)" at the China HVAC Industry Development Summit (中國暖通空調產業發展峰會).

Energy-Saving Heating Equipment

The Group's energy-saving heating business involves the research and development as well as manufacturing and sales of energy-saving heating equipment. The Group focuses on industrial waste heat utilisation and the urban centralised heating, and provides a series of customised and comprehensive heating solutions for its customers. In particular, the Group develops new technology in relation to condensing heat recovery, which enables it to create a renewable green energy utilisation system.

The Group generally enters into purchase and sale agreements with customers for the production of energy-saving heating equipment. To provide customised energy-saving heating equipment products, the Group actively communicates with its customers to cater to their specific needs. The Group is also responsible for the installation of energy-saving heating equipment. The Group's major customers for energy-saving heating equipment are local governments and thermal power plants.

High Performance Fibres Production

Overview

The Group is a leading entity in the production of high performance fibres in the PRC. High performance fibres are driven by special technical functions that require specific physical properties unique to these fibres. The Group conducts its high performance fibres production business primarily through the Guarantor's subsidiary, Tayho Advanced Materials, which has been listed on the Shenzhen Stock Exchange (stock code: 002254.sz) since 2008.

Founded in 1987, Tayho Advanced Materials is a national high-tech enterprise specialised in the research and development and production of high-performance fibers, including spandex fibres and aramid fibres. Spandex fibres and aramid fibres are high performance fibres that have wide ranges of applications across different industries and sectors. Spandex fibres produced by Tayho Advanced Materials are branded as "Newstar Spandex Fibers (紐士達®氨綸)". Aramid fibres produced by Tayho Advanced Materials, differentiated by their synthetic properties, are branded as "Tametar Meta-aramid fibres" (泰美達®間位芳綸) and "Taparan Para-aramid fibres" (泰普龍®對位芳綸).

For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group's high performance fibres production business was RMB2,170.7 million, RMB2,540.3 million, RMB2,439.7 million, RMB1,040.0 million and RMB2,125.0 million, respectively, representing 2.7 per cent., 3.3 per cent., 2.9 per cent., 3.0 per cent. and 2.7 per cent., respectively, of the Group's total revenue for the same periods.

Spandex Fibres Production

Tayho Advanced Materials is the first enterprise producing spandex fibres in the PRC and is one of the top five enterprises producing spandex fibres in terms of production capacity in the PRC. Spandex fibre is a type of high-endurance fibre typically used in the production of elastic clothing and medical textiles. Spandex fibres production contributes the largest part of revenue generated from the Group's high performance fibres production business segment.

The following table sets forth the operating information of the Group's spandex fibres production business for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
Production capacity (tonnes)	75,000	75,000	75,000
Output (tonnes)	51,184	50,664	48,616
Output ratio (%) ⁽¹⁾	68.2	67.6	64.8
Sales volume (tonnes)	41,262	55,265	52,464
Sales ratio (%) ⁽²⁾	80.6	109.1	107.9

Notes:

- (1) Output ratio is calculated by dividing the Group's actual output for the year/period by the production capacity for the year/period.
- (2) Sales ratio is calculated by dividing the Group's actual sales volume for the year/period by the actual output for the year/period.

The Group sells spandex fibres in the PRC and across the world. For sales of spandex fibres in the PRC, the Group adopts a combination of both direct sales and distribution models. For sales of spandex fibres across the world, the Group primarily adopts direct sales model with distribution model as a supplement.

Aramid Fibres Production

Tayho Advanced Materials is a major participant in the aramid fibres industry in the PRC and it views the production of aramid fibres as its key development direction in the future. Aramid fibre is a type of strong and heat-resisting fibre widely used in electrical insulation, personal protection, environmental protection and advanced manufacturing industries.

The following table sets forth the operating information of the Group's aramid fibres production business for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
Production capacity (tonnes)	8,500	8,500	11,500
Output (tonnes)	7,905	7,346	7,527
Output ratio (%) ⁽¹⁾	93.0	86.4	65.5
Sales volume (tonnes)	7,608	7,375	6,825
Sales ratio (%) ⁽²⁾	96.2	100.4	90.7

Notes:

- (1) Output ratio is calculated by dividing the Group's actual output for the year/period by the production capacity for the year/period.
- (2) Sales ratio is calculated by dividing the Group's actual sales volume for the year/period by the actual output for the year/period.

The Group sells aramid fibres in the PRC and across the world. For sales of aramid fibres in the PRC, the Group adopts direct sales model. For sales of spandex fibres across the world, the Group primarily adopts distribution model with direct sales model as a supplement.

Commodities Trading

Overview

The Group commences its commodities trading business since September 2019. The Group conducts its commodities trading business primarily through three subsidiaries of the Guarantor, namely Shandong Fengrui Industrial Co., Ltd. (山東豐瑞實業有限公司) ("**Fengrui Industrial**"), Yantai Guofeng Junhe Trading Co., Ltd. (煙台國豐均和貿易有限公司) ("**Guofeng Junhe**") and Wanhua Synthetic Leather. The Group trades a variety of commodities including electrolytic copper, coal and non-ferrous metal. Leveraging on its supply chain advantages from its strategic partnerships with Junhe Group and Ruimaotong, the Group has been actively developing its commodities trading business.

For the year ended 31 December 2020 and the six months ended 30 June 2021, revenue generated from the Group's commodities trading business was RMB2,891.0 million and RMB5,390.1 million, respectively, representing 3.4 per cent. and 6.9 per cent., respectively, of the Group's total revenue for the same periods.

Business Model

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 provide feedback and negotiate price with downstream customers based on the acquired information. 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 commodities in accordance with the time and venue stipulated in the sales contract. At the procurement stage, the Group enters into a 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. The commodities traded by the Group are generally transported from their storage location in various national stockpile warehouses to the location of the user directly, which enables the group to maintain a relatively low inventory level.

Trading Region

The Group conducts its procurement for commodities trading business mainly in Tianjin and Shanghai. The Group primarily procures non-ferrous metal such as electrolytic copper from Shanghai since it relies on Junhe Group, who is one of the shareholders of Guofeng Junhe and is based in Shanghai, as its principal upstream non-ferrous supplier.

The Group conducts its commodities sales mainly in the regions of east and south China with coal mainly sold to customers in the provinces of Jiangsu, Shandong and Henan, and non-ferrous metal mainly sold to customers in Zhejiang Province and Shanghai.

Other Businesses

The Group also conducts other businesses such as the operation and management of industrial parks and project investment. For the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2020 and 2021, revenue generated from the Group’s other businesses was RMB1,538.4 million, RMB2,289.2 million, RMB1,679.2 million, RMB1,153.7 million and RMB753.9 million, respectively, representing 1.9 per cent., 3.0 per cent., 2.0 per cent., 3.3 per cent. and 1.0 per cent., respectively, of the Group’s total revenue for the same periods.

Operation and Management of Industrial Parks

The Group conducts the operation and management of industrial parks primarily through various subsidiaries, such as Shandong Yulong Petrochemical Industrial Park Development Co., Ltd. (山東裕龍石化產業園發展有限公司) and Oriental Aerospace Port (Shandong) Development Group Co., Ltd. (東方航天港(山東)發展集團有限公司). The Group’s park operation and management business mainly involves site operation and maintenance within the Yulong Petrochemical Industrial Park, Oriental Aerospace Port Industrial Park and Biomedicine Health Industrial Park. Some of the main activities of the Group, as an operator of industrial parks, are outlined below:

- day-to-day operation of the park and facilities management, including ensuring the efficient operation of all the general and specialised infrastructure and facilities therein;
- general maintenance within the park, including the provision of janitorial, landscape and security services;
- ongoing business development, including providing information on park services and attracting new lessees of commercial properties and equipment within the park;
- collection of rents from lessees of commercial properties and equipment; and
- provide water, gas and electricity supply and sewage treatment services within the parks and facilities.

Yulong Petrochemical Industrial Park

Yulong Petrochemical Industrial Park is an implementation vehicle for the first project of the Shandong Comprehensive Pilot Zone for the Replacements of Old Economic Growth Drivers with New Economic Growth Drivers, namely, Yulong Refining and Chemical Integration Project (裕龍煉化一體化項目). The project will focus on high-end petrochemical products and new materials. Yulong Petrochemical Industrial Park covers an area of approximately 35.2 square kilometres.

Oriental Aerospace Port Industrial Park

Oriental Aerospace Port Industrial Park is a major project for the Replacements of Old Economic Growth Drivers with New Economic Growth Drivers in Shandong Province. Located in Haiyang City (海陽市), Oriental Aerospace Port Industrial Park covers an area of approximately 18.6 square kilometres. Oriental Aerospace Port Industrial Park aims to build China's tens of billions of commercial aerospace high-tech industrial cluster integrating research and development, manufacturing, launch, application and ancillary facilities. The total investment amount for the construction of Oriental Aerospace Port Industrial Park is expected to be RMB23.0 billion. In September 2020, China's Long March 11 (長征十一號) solid-propellant carrier rocket was launched within Oriental Aerospace Port Industrial Park, which successfully sent nine satellites into orbit. In addition, certain aviation projects are also expected to be constructed within Oriental Aerospace Port Industrial Park, such as the construction of satellite data application centre, Commercial Solid Rocket Haiyang Industrial Base (商業固體火箭海陽產業基地), Jiutian Xingge Liquid Rocket Propellant Storage Tank (九天行歌液體火箭推進劑貯箱) and new type of sea-launch ship.

Biomedicine Health Industrial Park

In response to Yantai City's overall plan to build a hundred billion-level pharmaceutical and health industry and construct an international life science innovation demonstration zone, the Guarantor has established Yantai Biomedical Health Industry Development Group Co., Ltd. (煙臺生物醫藥健康產業發展集團有限公司) with an initial registered capital of RMB1.0 billion. Biomedical Health Industry Development Group Co., Ltd. is responsible for the construction and operation of Biomedicine Health Industrial Park. In addition, the Guarantor, certain banks and biomedical enterprises jointly funded a biochemical industry fund of funds with an aim to invest in biochemical companies established in Biomedicine Health Industrial Park.

RESEARCH AND DEVELOPMENT

The Group's research and development activities are intended to maintain and strengthen the position of the Group within the industries involved in the business operations of the Group and focus on product- and process-related innovation development. The Group's research and development activities are driven by underlying demand for higher quality applications, increased functionality, design flexibility, lower cost production processes and sustainability. The Group believes that new technologies can significantly increase the Group's production efficiency, which will ultimately strengthen the position of the Group.

INTELLECTUAL PROPERTY

The Group's intellectual property rights primarily consist of patents, trademarks and domain names that the Group uses in its operations. The Group's intellectual property rights are of fundamental importance to the operation of its business. As at the date of this Offering Circular, the Group is not aware of any unauthorised or unlicensed use of its intellectual property that may have a material adverse impact on its business, financial condition or results of operation.

ENVIRONMENT MATTERS

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

INSURANCE

The Group maintains insurance policies, which it believes to be consistent with the relevant law and industry and business practice in the PRC. 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. As at the date of this Offering Circular, the Group has not made, and is not aware of, any insurance claim settlement in relation to its operations that may have a material adverse impact on its business, financial condition or results of operation.

EMPLOYEES

As at 30 June 2021, the Guarantor had 26,131 full-time employees, 4,913 of which hold bachelor's degree or above. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to its employee's social insurance, including the statutory pension plan, medical insurance, unemployment insurance, maternity insurance and workers' compensation insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

GOVERNMENTAL REGULATIONS AND LICENSES

The Group's operations are subject to a variety of laws and regulations promulgated by the governments in which it operates. See the section headed "*PRC Regulations*".

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

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

LEGAL PROCEEDINGS

From time to time, the Guarantor, 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 and Its 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 OF THE GUARANTOR

DIRECTORS

The board of directors of the Guarantor (the “**Board**”) consists of three directors, including the chairman of the Board and two other directors, one of which is an employee representative director. The main responsibilities of the Board include, without limitation, formulating the Guarantor’s business plans and investment plans; reviewing and approving the Guarantor’s finance plans; formulating plans for the adjustment, merger, restructuring, division, and dissolution of the Guarantor’s subsidiaries; formulating the Guarantor’s annual financial budget plans and annual financial final account plans; formulating the Guarantor’s profit distribution plan and loss recovery plans; formulating plans for the Guarantor to increase or decrease its registered capital and issue corporate bonds; formulating the Guarantor’s internal management organisation setting plan; formulating various fundamental rules and regulations of the Guarantor; and other functions and powers stipulated by applicable laws and regulations.

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

Name	Age	Position
Mr. Rong Feng (榮鋒)	56	Chairman of the Board
Ms. Chen Dianxin (陳殿欣)	55	Director and general manager
Mr. Qi Guishan (齊貴山)	38	Employee representative director

Mr. Rong Feng (榮鋒), aged 56, has been the chairman of the Board since November 2018. Mr. Rong previously served as a deputy section chief and the section chief of the Statistical Evaluation Division (統計評價科) of Yantai SASAC, a supervisor of Yantai Moon Co., Ltd. (煙臺冰輪股份有限公司) (currently known as Moon Environment Technology Co., Ltd. (冰輪環境技術股份有限公司)), State-owned Yantai Polaris Holdings Limited (煙臺北極星國有控股有限公司) and Yantai Public Transportation Group Co., Ltd. (煙臺市公交集團有限公司), the chairman of the board of supervisors of Yantai Dongfang Electronic Information Industry Group Co., Ltd. (煙臺東方電子資訊產業集團有限公司) (currently known as Dongfang Electronics Corporation (東方電子集團有限公司)), Yantai Public Transportation Group Co., Ltd. and Shandong Laidong Combustion Engine Co., Ltd. (山東萊動內燃機有限公司), and a deputy chief, the chief accountant as well as a member of the Committee of the Communist Party of China (中國共產黨黨委) of Yantai SASAC. Mr. Rong currently also serves as the chairman of the board of directors of Yantai Guotai Chengfeng Assets Management Co., Ltd. (煙台國泰誠豐資產管理有限公司), Yantai Guocheng Yufeng Investment Service Co., Ltd. (煙台國誠譽豐招商服務有限公司), Yantai Ocean Engineering Investment Development Co., Ltd. (煙台海洋工程投資發展有限責任公司), Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd. (東方航天港(海陽)產業園開發有限公司), Yantai Marine Fisheries Co., Ltd. (煙台海洋漁業有限公司) and Yantai Guoyuan Financial Leasing Co., Ltd. (煙台國源融資租賃有限公司), a director of Wanhua Chemical Group Co., Ltd. (萬華化學集團股份有限公司), Wanhua Industrial Group Co., Ltd. (萬華實業集團有限公司), Yantai Moon Group Co., Ltd. (煙台冰輪集團有限公司), Moon Environment Technology Co., Ltd., Yantai Moon Investment Co., Ltd. (煙台冰輪投資有限公司), Yantai Moon Holdings Co., Ltd. (煙台冰輪控股有限公司) and Yantai Tayho Advanced Materials Group Co., Ltd. (煙台泰和新材料集團有限公司) as well as the chairman of the board of directors and the general manager of Yantai Guosheng Investment Holding Co., Ltd. (煙台國盛投資控股有限公司).

Ms. Chen Dianxin (陳殿欣), aged 55, has been the director of the Board since November 2018. Ms. Chen is also the general manager of the Guarantor. Ms. Chen previously served as a deputy chief of Yantai State-owned Assets Evaluation Centre (煙台市國有資產評估中心), a deputy section chief of Assets Evaluation and Management Division (資產評估管理科) of Yantai SASAC, the section chief of the Property Management Division (產權管理科) of Yantai SASAC, the head of the Office of Retired Cadres (離退休幹部工作辦公室) of Yantai SASAC, a director of Yantai Moon Group Co., Ltd., Yantai Tayho Advanced Materials Group Co., Ltd. and Yantai Guoyu Financial Leasing Co., Ltd. (煙臺國裕融資租賃有限公司), the chairman of the board of directors of Yantai Guofeng Investment Holding Co., Ltd. (煙臺國豐投資控股有限公司) (currently known as Yantai Guofeng Investment Holding Group Co., Ltd. (煙臺國豐投資控股集團有限公司)), and Yantai Guoxin Investment Co., Ltd. (煙臺國鑫投資有限公司) (currently known as Yantai Guoxin Venture Capital Co., Ltd. (煙臺國鑫創業投資有限公司)), the chairman of the board of directors and the general manager of Yantai Guosheng Investment Holding Co., Ltd. as well as a vice chairman of the board of directors of Yantai CIMC Raffles Offshore Limited (煙臺中集來福士海洋工程有限公司) and Yantai CIMC Raffles Shipbuilding Co., Ltd. (煙台中集來福士船業有限公司). Mr. Chen currently also serves as a director and the general manager of Yantai Guotai Chengfeng Assets Management Co., Ltd., Yantai Guocheng Yufeng Investment Service Co., Ltd. and Yantai Ocean Engineering Investment Development Co., Ltd., as well as a director of Yantai Guoxin Ruifeng Assets Management Co., Ltd. (煙台國信瑞豐資產管理有限公司), Wanhua Chemical Group Co., Ltd., Wanhua Industrial Group Co., Ltd., Hongta Innovation (Qingdao) Equity Investment Management Co., Ltd. (紅塔創新(青島)股投資管理有限公司), Yantai Moon Group Co., Ltd., Yantai Moon Investment Co., Ltd., Yantai Moon Holdings Co., Ltd., Yantai Mingxiang Holding Co., Ltd. (煙台銘祥控股有限公司), Yantai Tayho Advanced Materials Group Co., Ltd., Yantai Tayho Advanced Materials Co., Ltd. (煙台泰和新材料股份有限公司), Yantai Mingshida Specialty Paper Co., Ltd. (煙台民士達特種紙業股份有限公司), Yantai Changyu Group Co., Ltd. (煙台張裕集團有限公司) and Yantai Changyu Pioneer Wine Co., Ltd. (煙台張裕葡萄釀酒股份有限公司).

Mr. Qi Guishan (齊貴山), aged 38, has been an employee representative director since November 2018. Mr. Qi is also the head of the Party-masses Working Department (黨群工作部), the General Department (綜合部) and the Industrial Park Business Department (產業園事業部) of the Guarantor. Mr. Qi previously served as an assistant manager of the Enterprise Management Department (企業管理部) of Yantai Transportation Group Co., Ltd. (煙台交運集團有限責任公司) and the head of the General Department of Yantai Guosheng Investment Holding Co., Ltd. Mr. Qi currently also serves as a director of Wanhua Chemical Group Co., Ltd., Wanhua Industrial Group Co., Ltd., Yantai Moon Group Co., Ltd., Yantai Moon Investment Co., Ltd., Yantai Moon Holdings Co., Ltd., Yantai Shichuan Sealing Technology Co., Ltd. (煙台石川密封科技股份有限公司), Yantai Mingxiang Holding Co., Ltd. and Yantai Polaris Co., Ltd. (煙台北極星股份有限公司) as well as a supervisor of Yantai Ocean Engineering Investment Development Co., Ltd., Yantai Wanhua Synthetic Leather Group Co., Ltd. (煙台萬華合成革集團有限公司), Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd. and Yantai Guosheng Investment Management Co., Ltd.

SUPERVISORS

The board of supervisors consists of five supervisors, including the chairman and four other employee representative supervisors. The board of supervisors is responsible for monitoring the Guarantor's financial matters; overseeing the conducts of the directors and the senior management personnel in performing their duties and regularly reporting to the shareholders as well as making recommendations of dismissing the Guarantor's directors and senior management personnel acting in contravention of laws, regulations or the Guarantor's articles of association; demanding the directors and senior management personnel to correct their improper conducts; initiating lawsuits against the Guarantor's directors and senior management personnel in accordance with the relevant laws where appropriate; conducting investigations or hiring an accounting firm to investigate if necessary when the board of supervisors finds that the Guarantor's business conditions are abnormal; and other responsibilities stipulated in the Guarantor's articles of association. Meanwhile, supervisors may attend meetings of the Board as non-voting delegates and raise questions or make suggestions on matters resolved by the Board.

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

Name	Age	Position
Ms. Gu Liping (顧麗萍)	40	Chairman of the board of supervisors
Mr. Sun Chaohui (孫朝輝).	35	Employee representative supervisor
Ms. Yu Xia (于霞).	39	Employee representative supervisor
Mr. Han Cheng (韓程)	32	Employee representative supervisor
Mr. Yuan Lin (苑林)	34	Employee representative supervisor

Ms. Gu Liping (顧麗萍), aged 40, has been the chairman of the board of supervisors of the Guarantor since October 2020. Ms. Gu is also the head of the Compliance Management Department (合規管理部) of the Guarantor. Ms. Gu previously served as an assistant head and the head of the Enterprise Management Department of Yantai Transportation Group Co., Ltd., the general manager of Yantai Commodity Exchange Centre Co., Ltd. (煙臺大宗商品交易中心有限公司) (currently known as Yantai Bulk Commercial Service Co., Ltd. (煙臺大宗商業服務有限公司)), the head of the Enterprise Management Department and an assistant general manager of Yantai State-owned Assets Management Co., Ltd. (煙臺市國有資產經營有限公司). Ms. Gu currently also serves as the chairman of the board of supervisors of Yantai Moon Group Co., Ltd. and Shandong Yulong Petrochemical Industrial Park Development Co., Ltd. (山東裕龍石化產業園發展有限公司), a supervisor of Yantai Moon Investment Co., Ltd., Yantai Moon Holdings Co., Ltd., Yantai Tayho Advanced Materials Co., Ltd., Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd., Yantai Guosheng Investment Holding Co., Ltd., Yantai Guoyuan Financial Leasing Co., Ltd., Yantai Guofeng Junhe Trading Co., Ltd. (煙台國豐均和貿易有限公司) and Yantai Guofeng Transportation Energy Development Co., Ltd. (煙台國豐交運能源發展有限公司).

Mr. Sun Chaohui (孫朝輝), aged 35, has been an employee representative supervisor of the Guarantor since November 2018. Mr. Sun is also the head of the Market Development Department (市場發展部) of the Guarantor. Mr. Sun previously served as the chief secretary of Hujiakuang Village, Huili Town, Fushan District, Yantai City (煙臺市福山區回裡鎮胡家夼村) and a deputy head and the head of the General Management Department (綜合管理部) of Yantai Guoyu Financial Leasing Co., Ltd. Mr. Sun currently also serves as a supervisor of Yantai Guotai Chengfeng Assets Management Co., Ltd., Yantai Guocheng Yufeng Investment Service Co., Ltd., Yantai Mingxiang Holding Co., Ltd., the chairman of the board of supervisors of Yantai Guoxin Ruifeng Assets Management Co., Ltd. as well as a director of Shandong Yantai Dengying Assets Management Co., Ltd. (山東煙台登瀛資產管理有限公司), Yantai Tayho Advanced Materials Group Co., Ltd., Yantai Tayho Advanced Materials Co., Ltd. and Yantai Mingshida Specialty Paper Co., Ltd.

Ms. Yu Xia (于霞), aged 39, has been an employee representative supervisor of the Guarantor since August 2020. Ms. Xu is also a deputy head of the Finance Department (財務部) of the Guarantor. Ms. Yu previously served as the head of the Audit Department (審計部) and the Finance Department of Yantai Taihai Group Co., Ltd. (煙臺市台海集團有限公司) and a deputy head and the head of the Finance Department of Taihai Manuer Nuclear Power Equipment Co., Ltd. (台海瑪努爾核電設備股份有限公司) (currently known as Yantai Taihai Manuer Nuclear Power Equipment Co., Ltd. (煙臺台海瑪努爾核電設備有限公司)).

Mr. Han Cheng (韓程), aged 32, has been an employee representative supervisor of the Guarantor since August 2020. Mr. Han is also a deputy head of the Investment Operation Department (投資運營部) of the Guarantor. Mr. Han previously served as a deputy secretary and the secretary of the Communist Youth League Committee (共青團委員會) of Laiyang City Chengxiang Sub-district Office (萊陽市城廂街道辦事處), a deputy section chief of the Trading Market Supervision Division (交易市場監管科) of Yantai Financial Work Office (煙臺市金融工作辦公室). Mr. Han currently also serves as a supervisor of Yantai Moon Group Co., Ltd., Moon Environment Technology Co., Ltd., Yantai Moon Investment Co., Ltd., Yantai Moon Holdings Co., Ltd., Yantai Guoyuan Financial Leasing Co., Ltd. and Yantai Guofeng Junhe Trading Co., Ltd. as well as a director of Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.

Mr. Yuan Lin (苑林), aged 34, has been an employee representative supervisor of the Guarantor since October 2020. Mr. Yuan is also a deputy head of the Industrial Park Business Department (產業園事業部) of the Guarantor. Mr. Yuan previously served as an account manager of the Credit Department (信貸部) of Laishang Bank (萊商銀行), a product manager of the Enterprise Business Department (公司業務部), a deputy head of the Business Department (營業部), an assistant general manager of the Marketing First Department (營銷一部) and a vice president of the Fushan Sub-branch (福山支行) of Huaxia Bank Yantai Branch (華夏銀行煙臺分行) as well as a deputy general manager of Yantai Blue Sky Investment Holdings Co., Ltd. (煙臺藍天投資控股有限公司) and Yantai Lantian Construction Co., Ltd. (煙臺藍天建設有限公司).

SENIOR MANAGEMENT

The Guarantor's senior management is appointed by, and reports to, the Board. The Guarantor's senior management consists of three members, including one general manager and two deputy general managers. The general manager is primarily responsible for managing the Guarantor's business operation and implementing the decisions of the Board; implementing the annual business plans and investment proposals; drafting the Guarantor's financing plans and internal management organisation setting plans, and submitting them to the Board for deliberation; establishing the Guarantor's fundamental management systems; formulating the Guarantor's specific internal regulations; making proposals as to the appointment or dismissal of the person in charge of the Guarantor's financial affairs; making decisions on the appointment or dismissal of management personnel other than those that should be appointed or dismissed by the Board; and other responsibilities stipulated in relevant laws and regulations or designated by the Board as necessary. The general manager shall attend the Board meeting as a non-voting delegate.

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

Name	Age	Position
Ms. Chen Dianxin (陳殿欣)	55	Director and general manager
Mr. Ren Jinfeng (任金峰)	49	Deputy general manager
Mr. Liu Zhijun (劉志軍)	41	Deputy general manager

Ms. Chen Dianxin (陳殿欣), aged 55, has been a director of the Board and the general manager of the Guarantor since November 2018. For Ms. Chen's biography, see “– Directors” above.

Mr. Ren Jinfeng (任金峰), aged 49, has been a deputy general manager of the Guarantor since May 2020. Mr. Ren previously held several positions in Yantai Investment Promotion Bureau (煙臺市投資促進局), including the project head, a deputy head and the head of the General Department. Mr. Ren previously also served as a deputy head of Yantai Investment Promotion Centre (煙臺市投資促進中心). Mr. Ren currently also serves as a director of Yantai Guofeng Junhe Trading Co., Ltd. and Yantai Guofeng Transportation Energy Development Co., Ltd.

Mr. Liu Zhijun (劉志軍), aged 41, has been a deputy general manager of the Guarantor since May 2020. Mr. Liu previously served as a deputy section chief of the Planning and Development Division (規劃發展科) of Yantai SASAC, a supervisor of Dongfang Electronics Corporation, Shandong Laidong Combustion Engine Co., Ltd., Yantai Public Transportation Group Co., Ltd. and Yantai Changyu Pioneer Wine Co., Ltd., a section-level cadre (正科級幹部) of the Yantai Audit Bureau (煙臺市審計局) and the head of the Equity Management Department (股權管理部) of Yantai Guofeng Investment Holding Co., Ltd. Mr. Liu currently also serves as a director of Yantai Guocheng Yufeng Investment Service Co., Ltd., Yantai United Test Holding Co., Ltd. (煙台聯測控股有限公司), Yantai Ocean Engineering Investment Development Co., Ltd., Yantai Moon Group Co., Ltd., Yantai Moon Investment Co., Ltd., Yantai Moon Holding Co., Ltd., Yantai Mingxiang Holding Co., Ltd., Yantai Tayho Advanced Materials Group Co., Ltd., Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd., Yantai Marine Fisheries Co., Ltd., Yantai Guosheng Investment Holding Co., Ltd., Yantai Guoyuan Financial Leasing Co., Ltd. and Shandong Rongfa Xuhai Intelligent Equipment Co., Ltd. (山東融發戌海智能裝備有限公司), a supervisor of Wanhua Chemical Group Co., Ltd., Yantai Changyu Pioneer Wine Co., Ltd. and Shandong Baoya New Energy Automobile Co., Ltd. (山東寶雅新能源汽車股份有限公司), the chairman of the board of supervisors of Yantai Mingshida Specialty Paper Co., Ltd., the chairman of the board of directors of Yantai Guofeng Junhe Trading Co., Ltd., Yantai Guofeng Transportation Energy Development Co., Ltd. and a vice chairman of the board of directors of Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.

PRC REGULATIONS

This section is a summary of the principal PRC laws and regulations relevant to the issue of the Bonds. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

NDRC REGISTRATION IN RELATION TO FOREIGN DEBTS MANAGEMENT

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. It sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the NDRC Circular, “foreign debts” means RMB-denominated or foreign currency denominated debt instruments with a maturity of one year or above which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Circular.

Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to the NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and the repatriation of funds. The NDRC shall decide whether to accept an application within five working days of receipt and shall issue within the limit of the total scale for foreign debt, an Enterprise Foreign Debt Pre-issuance Filing and Registration Certificate within seven working days of accepting the application.

Pursuant to the NDRC Circular, an enterprise shall meet the following basic conditions in order to issue foreign debts:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Circular, NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, NDRC shall make a public announcement and shall no longer accept applications for filing and registration.

According to the NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “One Belt and One Road”, the coordinated development of Beijing, Tianjin, and Hebei Province, the Yangtze River Delta Economic Belt, international cooperation on production capacity and the equipment manufacturing. Certain detailed aspects of its interpretation and application, however, remain subject to further clarification. The Guarantor undertakes that it will comply with the requirements of the NDRC Circular in respect of the Bonds.

SAFE REGISTRATION IN RELATION TO CROSS-BORDER SECURITY

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

On 12 May 2014, the SAFE promulgated the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines (collectively, the “**Foreign Exchange Administration Rules**”), which became effective on 1 June 2014. According to the Foreign Exchange Administration Rules: (i) cross-border security refers to the security provided by a security provider to a creditor under a written and legally binding agreement or instrument under which the security provider undertakes to fulfil relevant payment obligations in accordance with the security agreement, which may result in cross-border receipt and payment of funds or cross-border transfer of asset ownership and other transactions of international receipt and payment. Based on the places of registration of the parties to the cross-border security transactions, cross-border security shall be divided into three types, namely “Nei Bao Wai Dai” (內保外貸) (“**NBWD**”), “Wai Bao Nei Dai” (外保內貸) (“**WBND**”) and “Other forms of cross-border security” (其他形式的跨境擔保). In particular, NBWD refers to the cross-border security transaction under which the security provider is registered in the PRC, while both the debtor and the creditor are registered outside the PRC; (ii) provision of guarantees by PRC non-financial institution for offshore bond issuance by offshore entities constitutes transaction of NBWD, and the PRC non-financial institution as the guarantor shall, register such cross-border security with the SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the NBWD structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used to support the foreign debtor to engage in transactions other than the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or to directly or indirectly remit proceeds back to PRC by way of security investment without approval of the foreign exchange bureau; (iv) the proceeds of loans or bonds under the NBWD structure shall not be repatriated onshore and used in the PRC; (v) where NBWD is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the NBWD which has been duly registered with the SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the NBWD under the registered NBWD at its own discretion, and shall de-register the NBWD and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the NBWD.

On 26 January 2017, the SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (the “**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a NBWD structure and generally allows the proceeds raised under a NBWD structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發(2017)3號)政策問答(第二期)) (“**Policy Q&As in relation to the SAFE Circular 3**”) published by the SAFE on its official website on 27 April

2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the Foreign Exchange Administration Rules above still apply despite of the SAFE Circular 3. However, it is unclear as to:

- whether the existing requirements on offshore debts secured by cross-border security remain applicable, under which bond proceeds must be used for the offshore project(s) in which the relevant onshore entity holds equity interest, and thus cannot be repatriated to the PRC;
- whether the bond proceeds, even though can be repatriated to the PRC, shall still be used for an offshore project ultimately (such as by way of the onshore entity's grant of shareholder loans to the offshore project or injection of capital into the offshore project); and
- whether, as a matter of practice, the SAFE no longer enforces its existing requirements on offshore debts that are secured by cross-border security, and provided that the outbound guarantee registration is completed with the SAFE, the bond proceeds of such offshore debts can be repatriated to the PRC.

In practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to the SAFE's discretion on a case by case basis.

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

Under the Foreign Exchange Administration Rules, the local SAFE will review of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration certificate or record to the Guarantor to confirm the completion of the registration.

Under the Foreign Exchange Administration Rules:

- non-registration does not render the Guarantee ineffective or invalid under PRC laws although the SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and
- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE Registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with then effective Budget Law of the PRC which took effect in 1995 (the "**Old Budget Law**"), local governments shall not issue bonds directly. On 31 August 2014, the SCNPC amended Budget Law of the PRC and on 29 December 2018, the SCNPC adopted the amended Budget Law of the PRC, which became effective on the same day (the "**New Budget Law**"). The New Budget Law grants local governments the right to issue government bonds.

On 21 September 2014, the State Council released the Opinions on Strengthening the Administration of Local Government Debts (關於加強地方政府性債務管理的意見) (the "**Circular 43**") with an aim at regulating the financing system of local governments. In accordance with the Circular 43, financing platforms shall no longer function as financing vehicles of the local governments nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds and income-generating public interest projects may be operated independently by private investors or jointly by the government and private investors through the establishment of special purpose companies. Private 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. Private 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 private investors' or special purpose companies' debts. The Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts of the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

In addition to the Circular 43, MOF, NDRC, the Ministry of Justice, PBOC, CBRC and CSRC jointly issued the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) (the “**Circular 50**”) on 26 April 2017, which reaffirmed that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local governments. According to the Circular 50, (i) local governments should not inject public assets and land reserves into their financing vehicles, and should not undertake to use the expected income from transfer of land reserves as sources of debt servicing for their financing vehicles; (ii) when providing financing to enterprises such as financing vehicles, the financial institutions shall not request or accept any form of guarantee of such financing from the local governments and their departments by way of letter of guarantee, letter of undertaking, letter of comfort or otherwise; (iii) a financing vehicle shall make a written representation to the relevant creditor that it does not perform any financing function on behalf of local governments, and any debts incurred by it after 1 January 2015 shall not be regarded as local government debts pursuant to applicable laws.

On 23 October 2014, MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (地方政府存量債務納入預算管理清理甄別辦法) (“**Circular 351**”) based on the Circular 43. The Circular 351 further requires the local governments to clear up the existing debts of their respective financing platforms and classify such existing fiscal debts of the local governments into government debts and non-government debts. Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of MOF, PBOC and CBRC on Properly Solving the Problem of Follow-up Financing for Projects under Construction of Local Government Financing Platform Companies (國務院辦公廳轉發財政部、人民銀行、銀監會關於妥善解決地方政府融資平臺公司在建項目後續融資問題意見的通知) (“**Circular 40**”) which was promulgated by General Office of the State Council and became effective on 11 May 2015, 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: (i) supporting stock financing needs for projects under construction; (ii) regulating increment financing for projects under construction; (iii) administering in an effective and proper manner follow-up financing for projects under construction; and (iv) improving supporting measures.

On 13 September 2018, the General Office of the CPC and the State Council jointly issued the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (關於加強國有企業資產負債約束的指導意見), which establishes targets for the reduction of the average debt-to-asset ratio of state-owned enterprises by 2020 and (consistent with the Circular 43 and the Circular 50) bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

FOREIGN EXCHANGE CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC 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. On 17 June 2010, 27 July 2011 and 3 February 2012, respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme 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) (collectively, the “**Circulars**”). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items were made 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 had 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 without obtaining the approval as previously required, 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, 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 or 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). On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the “**2015 PBOC Circular**”), which, *inter alia*, has lowered the eligibility requirements for multinational conglomerates and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above will continuously be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices when applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

On 5 January 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), which supports enterprises to use Renminbi in cross-border settlement under the principle of facilitating cross-border trade and investment and optimising.

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

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, the SAFE promulgated the Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) (the “**SAFE Provisions**”), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies.

Under current rules promulgated by the SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBOC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that the SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. However, the SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBOC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular and it is unclear how the SAFE will deal with such inconsistencies in practice.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate foreign direct investments by simplifying and streamlining the applicable regulatory framework. Unlike previous MOFCOM regulations on foreign direct investments, 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 foreign direct investment 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.

Pursuant to the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the “**PBOC FDI Measures**”), which was promulgated by PBOC on 13 October 2011 as part of the implementation of the detailed Renminbi foreign direct investments accounts administration system and which was later amended on 5 June 2015, the system covers almost all aspects in relation to foreign direct investments, 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. Under the PBOC FDI Measures, special approval for foreign direct investments and shareholder loans from PBOC, which was previously required, is no longer necessary.

On 30 March 2015, the SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知(匯發 [2015] 19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to discretionary foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from discretionary settlement of foreign exchange capital shall be managed under the account for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of such enterprises;
- facilitation of domestic equity investment by foreign-invested enterprises with the capital obtained from foreign exchange settlement;
- standard administration of payments made using settled foreign exchange funds;
- administration of the settlement and utilisation of foreign exchange account funds under other direct investment items; and
- further strengthening of follow-up supervision and investigations and administrative measures to deal with regulatory infringements by the SAFE.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發 [2015] 13號)) issued on 13 February 2015, the SAFE authorised qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment commencing from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發 [2017] 3號)) to further advance the reform of foreign exchange administration, such as:

- funds under overseas loans secured by domestic guarantees shall be allowed to be repatriated to the PRC for use. A debtor may directly or indirectly repatriate the funds under guarantee to the PRC for use by way of, among others, granting loans and making domestic equity investment. Where a bank fulfils its liabilities as the guarantor for an overseas loan secured by domestic guarantees, relevant foreign exchange settlement and sale shall be included in the bank's own foreign exchange settlement and sale for management;
- settlement of domestic foreign exchange loans is allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;
- authenticity and compliance review shall be strengthened for outbound direct investment. When going through the procedures for registration of outbound direct investment and outbound remittance of funds, a domestic institution shall, in addition to submitting relevant materials for review as required, explain to the relevant bank the sources of the funds for investment and the purposes (use plan) of such funds, and provide the relevant resolution of the board of directors (or the relevant resolution of partners), the relevant contract or other materials as proof of transaction authenticity;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota; and
- where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in Renminbi and outstanding overseas lending in foreign currencies shall not exceed 30 per cent. of its owner's equity in the audited financial statements of the preceding year.

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

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("RQFII") regime and the China Interbank Bond Market ("CIBM"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯帳戶的通知 (匯發[2019]29號)) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知 (匯發[2019]28號)) to further promote the reform of "simplification of administrative procedures and decentralization of powers, combination of decentralisation and appropriate control, and optimisation of services". Such regulation cancelled the restrictions on the use of funds in domestic asset realisation accounts for foreign exchange settlement and the restrictions on the number of opened foreign exchange accounts under capital accounts.

The SAFE Provisions, the MOFCOM Circular and the PBOC FDI Measures have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such regulations will continuously be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

LAWS AND REGULATIONS RELATING TO THE CHEMICAL INDUSTRY

Production Safety

The Production Safety Law of the PRC (中華人民共和國安全生產法) (the “**Production Safety Law**”) was promulgated by the National People’s Congress Standing Committee (the “NPCSC”) on 29 June 2002 and came into effect on 1 November 2002 and revised on 27 August 2009, 31 August 2014 and 10 June 2021, respectively and provided that enterprises engaged in production activities in the PRC are required to: (i) comply with the Production Safety Law and relevant laws and regulations on production safety, (ii) strengthen managerial control over production safety, (ii) establish and improve the safe production responsibility system and rules and regulations on safety production, (iv) improve working conditions at production sites, and (v) promote the building of standardisation on safety production to raise the safety level and to ensure workplace safety at production sites.

Pursuant to the Production Safety Law, the production, operation, transportation, storage and use of any hazardous substances or the disposal of abandoned hazardous substances shall, according to the provisions of the relevant laws and regulations, national standards and industrial standards, be subject to the approval as well as the supervision and administration of relevant administrative departments. The major person in charge of an enterprise shall undertake the overall responsibility for the safety in production. Enterprises shall provide education and training to employees on safety in production. They shall also provide employees with articles of labour protection which meet the national or industrial standards, and supervise and guide employees to wear and use of these articles according to instructions.

Pursuant to the Regulations on Safety Production Licence (安全生產許可證條例) (the “**Regulations on Safety Production Licence**”), which were promulgated by the State Council on 13 January 2004 and amended on 18 July 2013 and 29 July 2014, the PRC government implements the production safety licencing system to the enterprises engaged in mining, construction, production of hazardous chemicals, fireworks and crackers, and civil use explosive articles. No enterprise may engage in such manufacturing activities without a safety production licence.

Hazardous Chemicals Production and Operation

The PRC government exerts strict control over and adopts an examination and approval system of the manufacture and operation (including trading) of hazardous chemicals. Without proper examination and approval, no enterprise or individual is allowed to produce hazardous chemicals. Enterprises engaging in the production, operation and transportation of hazardous chemicals must, prior to the commencement of production, operation and transportation, obtain relevant licence for hazardous chemicals. The safety conditions of newly built, reconstructed and expanded construction projects for the production of hazardous chemicals is subject to the examination of the safety supervision regulatory authority.

The Catalogue of Hazardous Chemicals (2015) (危險化學品目錄(2015年版)) (the “**Catalogue of Hazardous Chemicals**”) was promulgated by the State Administration of Work Safety (the “SAWS”) on 27 February 2015. Enterprises that produce, sell, use, operate or transport the productions listed in the Catalogue shall comply with relevant laws and regulations in relation to the hazardous chemicals.

The Regulations on Safe Management of Hazardous Chemical Materials (危險化學品安全管理條例) (the “**Hazardous Chemical Regulations**”), which were promulgated by the State Council on 26 January 2002 and amended on 2 March 2011 and 7 December 2013 respectively, provide for administrative and supervisory rules for the safe production, storage, use, operation and transportation of hazardous chemicals/hazardous chemical materials, which include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or accelerative, and which damage human health, facilities or the environment.

Pursuant to the Measures for the Implementation of Work Safety Licences of Hazardous Chemicals Production Enterprises (2015 Amendment) (危險化學品生產企業安全生產許可證實施辦法), which were formulated in accordance with the Regulations on Safety Production Licence, and were promulgated by the SAWS and State Administration of Coal Mine Safety and came into effect on 17 May 2004 and amended by the SAWS on 5 August 2011 and 27 May 2015 and 6 March 2017 respectively, hazardous chemical production enterprises must obtain the safety production licence for hazardous chemicals. The local work safety authorities at the provincial level are responsible for the issuance and administration of the safety production licence for hazardous chemicals for enterprises within its administrative regions except central enterprises and their directly controlled enterprise headquarters involved in the production of hazardous chemicals. The aforesaid measures further provide conditions, requirements and process in relation to the application for the safety production licence of hazardous chemical production.

Pursuant to the Measures for the Administration of the Operating Licence of Hazardous Chemicals (危險化學品經營許可證管理辦法), which were promulgated by the SAWS on 27 May 2015 and came into effect on 1 July 2015, enterprises engaging in the operation (including trading) of hazardous chemicals shall obtain an operation licence of hazardous chemicals before its commencement of such business operation. The aforesaid measures further provide conditions, requirements and process in relation to the application for the operation licence of hazardous chemicals.

Pursuant to the Administrative Measures for the Registration of Hazardous Chemicals (危險化學品登記管理辦法), which were promulgated by the SAWS on 1 July 2012 and came into effect on 1 August 2012, enterprises engage in the production or importation of any chemical listed in the Catalogue of Hazardous Chemicals shall register with the competent work safety administration authorities prior to the inspection and acceptance for the completion of construction or the first importation activity.

The Measures for the Safety Supervision and Administrative of Hazardous Chemical Construction Projects (危險化學品建設項目安全監督管理辦法), which were promulgated by the SAWS on 30 January 2012 and came into effect on 1 April 2012, and revised on 27 May 2015, provide that projects for the construction, renovation and expansion of facilities used in the production of hazardous chemicals, as well as projects which generate hazardous chemicals (including hazardous chemical pipeline construction projects), are subject to inspections, supervision and administration by competent regulatory authorities. Such projects must not commence construction or operation without first completing the safety review and the acceptance of the completed safety facilities.

LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), promulgated by the NPCSC on 26 December 1989, last amended on 24 April 2014 and came into effect on 1 January 2015, establishes the legal framework of the environmental protection in the PRC. Pursuant to the Environmental Protection Law, the competent department of environmental protection administration under the State Council shall conduct unified supervision and management of the environmental protection work throughout the country, and establish the national standards for environment quality and discharge of pollutants. The competent departments of environmental protection administration of the local governments at or above the county level shall conduct unified supervision and management of the environmental protection work within areas under their jurisdiction.

Pursuant to the Environmental Protection Law, enterprises discharging pollutants shall establish an environmental protection accountability system to identify the responsibilities of their persons in charge and relevant staff, and shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation generated in the course of production, construction or other activities. Enterprises, public institutions and other producers and business operators discharging pollutants shall pay pollution fees in accordance with relevant national regulations.

The Atmospheric Pollution Prevention and Control Law of the PRC (中華人民共和國大氣污染防治法), which was promulgated by the NPCSC on 5 September 1987, last amended and came into effect on 26 October 2018, the Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法), which was promulgated by the NPCSC on 11 May 1984, last amended on 27 June 2017, and come into force on 1 January 2018, the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法), which was promulgated by the NPCSC on 29 October 1996 and came into effect on 1 March 1997, last amended and came into effect on 29 December 2018, and the Law of the PRC on the Prevention and Control of Environmental Pollution caused by Solid Waste (中華人民共和國固體廢物污染環境防治法), which was promulgated by the NPCSC on 30 October 1995, last amended on 29 April 2020 and came into effect on 1 September 2020, and Law of the PRC on Maritime Environmental Protection (中華人民共和國海洋環境保護法) which was promulgated by the NPCSC on 1 March 1983, last amended on 4 November 2017 and came into effect on 5 November 2017, respectively specify the administrative regulations on the prevention and control of pollution caused by atmosphere, water, noise and solid waste in order to protect and improve the environment, safeguard the public health and promote the sustainable development of economy and society.

Environment Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) (the “**Environment Impact Assessment Law**”), which was promulgated by the NPCSC on 28 October 2002, last amended and came into effect on 29 December 2018, provides specific regulations on the environmental protection for planning and construction projects. According to the Environment Impact Assessment Law, units responsible for the construction projects shall submit the environmental impact reports to the competent administrative department of environmental protection for examination and approval in accordance with the regulations of the State Council. The construction units shall not commence the construction before the environmental impact assessment documents of the construction projects having been examined by the examination and approving department or approved by such departments after examination according to laws.

TAXATION

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

BRITISH VIRGIN ISLANDS

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

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

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

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

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

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

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;
- (b) 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;

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

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. 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 Inland Revenue Ordinance) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

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

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

Stamp Duty

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

PRC

Enterprise Income Tax

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

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

In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the Guarantor is required to discharge its obligations under the Guarantee, interest paid on the Bonds or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10 per cent. from payments of interest in respect of the Bonds to any non-resident enterprise Bondholders, provided that there are no tax treaties between the PRC and those countries which exempt or reduce such withholding tax. Any capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from

sources within the PRC and accordingly may be subject to a PRC tax of up to 10 per cent. if the Issuer is treated as a PRC tax resident and provided that there are no tax treaties between the PRC and those countries which exempt or reduce such withholding tax. The Issuer may also be subject to PRC enterprise income tax at a rate of 25 per cent. on its worldwide taxable income together with enterprise income tax reporting obligations in the PRC. This means that income such as interest from any investment of any portion in securities issuance and other income sourced from and outside the PRC would be subject to PRC enterprise income tax at a rate of 25 per cent. Such taxable income shall be the balance of the net proceeds obtained from the transfer of the Bonds after the deduction of all costs and expenses that are permitted under PRC tax laws.

Pursuant to the IIT Law and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise or in the event that the Guarantor is required to perform its obligations under the Guarantee, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. Any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. if the Issuer is a PRC tax resident enterprise, provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of 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 “**Avoidance of Double Taxation Arrangement**”) will be 7.0 per cent. of the gross amount of the interest pursuant to the Avoidance of Double Taxation Arrangement and relevant interpretation of the Avoidance of Double Taxation Arrangement formulated by SAT.

Value-add Tax

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

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

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

Circular 36 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 and the VAT reform detailed above, if the Issuer is regarded as a PRC tax resident enterprise, it shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold VAT (should such tax apply) 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, 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 – 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.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers dated 6 December 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have jointly and severally agreed to sell to the Managers, and the Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table.

Managers	Principal amount of Bonds to be subscribed
	<i>(U.S.\$)</i>
Guotai Junan Securities (Hong Kong) Limited	60,000,000
Haitong International Securities Company Limited	50,000,000
Zhongtai International Securities Limited	50,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	10,000,000
Chiyu Banking Corporation Limited	10,000,000
CNCB (Hong Kong) Capital Limited	10,000,000
CMBC Securities Company Limited	10,000,000
CMB Wing Lung Bank Limited	10,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	10,000,000
SPDB International Capital Limited	10,000,000
ABCI Capital Limited	10,000,000
Shenwan Hongyuan Securities (H.K.) Limited	10,000,000
Total	250,000,000

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

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

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

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trade of the Bonds may be material. Such

entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

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

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

GENERAL

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

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

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each of the Managers has represented and warranted that:

- (a) it and its affiliates has not offered or sold, and agrees that it and its affiliates will not offer or sell, any Bonds within the United States except in accordance with Rule 903 of Regulation S under the Securities Act (“**Regulation S**”); and
- (b) none of it, its affiliates, or any persons acting on its or their behalf have engaged or will engage in any “directed selling efforts” (as defined in Regulation S) with respect to the Bonds.

Each of the Managers represents and warrants that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds, except with its affiliates or with the prior written consent of the Issuer and the Guarantor.

UNITED KINGDOM

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

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor;
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom; and
- (c) it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

HONG KONG

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

- (a) 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 the Laws 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 the Laws 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

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

SINGAPORE

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

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

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

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

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

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Managers has represented, warranted and agreed that it has not, directly or indirectly, offered

or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

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

BRITISH VIRGIN ISLANDS

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

EUROPEAN ECONOMIC AREA

Each of the Managers represents, warrants and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this paragraph:

- (a) The expression “retail investor” means a person who is one or more of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 where that customer would not qualify as a professional client as defined in point (1) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129; and
- (b) The expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

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 investment property valued under cost model, long-term equity investments, fixed assets, intangible assets and goodwill, among others), 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.

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.

RELATED PARTY DISCLOSURES

Under PRC GAAP, only state-controlled without other related party relationship companies are not treated as related parties.

Under IFRS, state-controlled companies are not treated as related parties.

In making an investment decision, each prospective investor must rely upon its own examination of the Issuer, the Guarantor, the terms of the offering and other disclosure contained herein. Each prospective investor should consult its own professional advisors 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.

GENERAL INFORMATION

1. **Legal Entity Identifier:** The Legal Entity Identifier (LEI) code of the Issuer is 254900F6K7BOH3XMIT29.
2. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 240680424 and ISIN XS2406804240, respectively.
3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer dated 2 November 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 28 June 2021.
4. **No Material and Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2021.
5. **Litigation:** None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.
6. **Available Documents:** Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection upon prior written request and satisfactory proof of holding during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) by the Bondholders at the principal place of business for the time being of the Trustee, being as at the Issue Date at One Canada Square, London E14 5AL, United Kingdom and at the specified office for the time being of the Principal Paying Agent.
7. **Financial Statements:** The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by TYQ CPA. The Reviewed Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by TYQ CPA.
8. **Listing of Bonds:** Application will be made to SEHK for the listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 10 December 2021.

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邮政编码 (Postal Code): 100082

REPORT ON REVIEW OF FINANCIAL STATEMENTS

TianyuanquanYueZi [2021] No.000004

To Yantai Guofeng Investment Holdings Group Co., Ltd.

We have reviewed the financial statements of Yantai Guofeng Investment Holdings Group Co., Ltd., which comprise the consolidated and company statements of financial position as at 30 June 2021, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the six months then ended, and the notes to the financial statements. The preparation of the financial statements in accordance with Accounting Standards for Business Enterprises is the responsibility of the management of the Company. Our responsibility is to express a report on review of the financial statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No. 2101 – Review of Financial Statements. This standard requires us to plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatements. A review is limited primarily to procedures as enquiry of entity's personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that

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Page 1 of 2

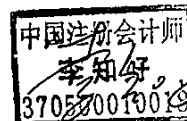
the accompanying financial statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises and cannot present fairly, in all material respects, the consolidated and company financial position as at 30 June 2021, and financial performance and cash flows for the six months ended 30 June 2021.

The report is only for the application materials of 2021 overseas debt project of Yantai Guofeng Investment Holding Group Co., Ltd, and any result caused by improper usage of the report is irrelevant to the certified public accountants and accounting firm performing this business.



Chinese Certified Public Accountant:

LiZhihao



Chinese Certified Public Accountant:

Gao Luqian



Beijing, China

23 September 2021

Consolidated Statement of Financial Position

30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	30 June 2021	31 December 2020
Current assets			
Cash and bank balances	V. 1	38,137,032,069.65	26,675,117,946.49
Financial assets held for trading	V. 2	1,322,388,088.34	791,264,957.06
Financial assets at fair value through profit or loss	V. 3	-	1,745,570,174.60
Derivative financial assets	V. 4	194,837,483.80	61,868,454.70
Notes receivable	V. 5	610,741,806.00	586,134,023.45
Accounts receivable	V. 6	13,543,781,095.10	8,620,693,930.24
Receivables financing	V. 7	6,861,152,721.55	5,273,656,586.51
Prepayments	V. 8	2,173,888,480.85	1,448,574,355.93
Other receivables	V. 9	6,751,385,887.15	6,442,335,434.44
Inventories	V. 10	17,280,479,695.61	9,986,530,089.63
Contract assets	V. 11	275,370,923.18	266,324,883.25
Held-for-sale assets		-	-
Non-current assets due within one year	V. 12	43,000,000.00	43,000,000.00
Other current assets	V. 13	1,026,126,430.64	1,797,860,613.72
Total current assets		88,220,184,681.87	63,738,931,450.02
Non-current assets			
Debt investments	V. 14	50,000.00	50,000.00
Available-for-sale financial assets	V. 15	-	7,230,599,566.35
Other debt investments		-	-
Held-to-maturity investments		-	-
Long-term receivables	V. 16	1,327,489,235.57	1,144,551,061.99
Long-term equity investments	V. 17	3,642,461,545.40	2,112,660,994.09
Investments in other equity instruments	V. 18	1,918,662,460.53	1,283,392,485.36
Other non-current financial assets	V. 19	6,920,441,051.18	-
Investment properties	V. 20	201,135,478.26	206,003,929.08
Fixed assets	V. 21	63,744,399,813.91	60,431,389,246.56
Construction in progress	V. 22	26,729,038,778.65	24,564,231,357.58
Productive biological assets		-	-
Oil and gas assets		-	-
Right-of-use assets	V. 23	2,260,037,119.30	-
Intangible assets	V. 24	10,062,952,284.51	9,534,064,499.58
Development expenditure		-	-
Goodwill	V. 25	2,149,888,425.42	2,196,203,443.71
Long-term prepaid expenses	V. 26	78,800,624.19	72,928,065.21
Deferred tax assets	V. 27	1,272,666,274.53	979,463,301.60
Other non-current assets	V. 28	16,860,070,964.44	11,449,116,612.57
Total non-current assets		137,168,094,055.89	121,204,654,563.68
TOTAL ASSETS		225,388,278,737.76	184,943,586,013.70

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Financial Position (Continued)

30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

EQUITY AND LIABILITIES	Note	30 June 2021	31 December 2020
Current liabilities			
Short-term borrowings	V. 29	50,305,906,464.15	42,001,715,260.51
Held-for-trading financial liabilities		-	-
Financial liabilities at fair value through profit or loss		-	-
Derivative financial liabilities	V. 30	4,188,992.07	23,946,600.00
Notes payable	V. 31	7,308,116,557.65	9,046,596,399.69
Accounts payable	V. 32	14,669,481,564.97	10,838,749,782.94
Receipts in advance	V. 33	122,058.50	105,565,865.20
Contract liabilities	V. 34	6,314,478,657.33	3,547,337,812.24
Employee benefits payable	V. 35	1,071,008,783.68	1,247,968,679.20
Taxes payable	V. 36	2,307,021,867.54	1,286,807,478.85
Other payables	V. 37	4,469,377,862.35	4,218,121,451.66
Held-for-sale liabilities		-	-
Non-current liabilities due within one year	V. 38	2,988,915,228.70	1,582,894,097.29
Other current liabilities	V. 39	8,880,886,341.19	5,435,633,107.04
Total current liabilities		98,319,504,378.13	79,335,336,534.62
Non-current liabilities			
Long-term borrowings	V. 40	26,822,752,345.29	23,007,931,329.79
Bonds payable	V. 41	6,982,910,810.04	4,982,589,618.17
Including: Preference shares			
Perpetual bonds		-	-
Lease liabilities	V. 42	1,517,934,928.85	
Long-term payables	V. 43	5,109,984,350.89	4,793,042,873.63
Long-term employee benefits payable	V. 44	56,337,539.94	57,619,419.89
Provisions	V. 45	304,650,380.25	314,809,163.12
Deferred income	V. 46	1,277,007,597.08	1,130,506,633.78
Deferred tax liabilities	V. 27	603,316,906.52	669,025,715.57
Other non-current liabilities	V. 47	20,833,845.19	834,161.69
Total non-current liabilities		42,695,728,704.05	34,956,358,915.64
TOTAL LIABILITIES		141,015,233,082.18	114,291,695,450.26
Shareholders' equity			
Paid-in capital (or Share capital)	V. 48	10,000,000,000.00	10,000,000,000.00
Other equity instruments	V. 49	4,992,419,056.60	1,996,632,075.46
Including: Preference shares		-	-
Perpetual bonds		4,992,419,056.60	1,996,632,075.46
Capital reserve	V. 50	110,006,153.42	-
Less: Treasury shares		-	-
Other comprehensive income	V. 51	70,024,042.08	135,959,581.83
Special reserve	V. 52	16,767,367.96	11,862,095.08
Surplus reserve	V. 53	35,374,567.93	35,374,567.93
Undistributed profits	V. 54	7,890,630,955.35	5,261,453,365.96
Total equity attributable to equity holders of the Company		23,115,222,143.34	17,441,281,686.26
Minority interests		61,257,823,512.24	53,210,608,877.18
Total equity		84,373,045,655.58	70,651,890,563.44
TOTAL EQUITY AND LIABILITIES		225,388,278,737.76	184,943,586,013.70

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Financial Position of the Company

30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	30 June 2021	31 December 2020
Current assets			
Cash and bank balances		3,224,225,064.85	3,347,996,138.85
Financial assets held for trading			
Financial assets at fair value through profit or loss		-	1,633,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments		64,123,738.76	341,557.13
Other receivables	XII. 1	14,558,563,729.26	9,296,019,778.20
Inventories			
Contract assets			
Held-for-sale assets		-	-
Non-current assets due within one year			
Other current assets		1,131,241.45	1,088,000.00
Total current assets		17,848,043,774.32	14,278,445,474.18
Non-current assets			
Debt investments			
Available-for-sale financial assets		-	6,440,290,137.69
Other debt investments		-	
Held-to-maturity investments		-	-
Long-term receivables			
Long-term equity investments	XII. 2	13,320,721,523.49	13,032,084,234.29
Investments in other equity instruments		295,195,202.07	
Other non-current financial assets		6,134,331,803.87	
Investment properties			
Fixed assets		457,992.32	545,619.96
Construction in progress			
Productive biological assets			
Oil and gas assets			
Held-for-sale assets			
Intangible assets		2,440,177.67	2,580,772.01
Development expenditure			
Goodwill			
Long-term prepaid expenses		643,993.73	686,926.61
Deferred tax assets			
Other non-current assets			
Total non-current assets		19,753,790,693.15	19,476,187,690.56
TOTAL ASSETS		37,601,834,467.47	33,754,633,164.74

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Financial Position of the Company (Continued)

30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

EQUITY AND LIABILITIES	Note	30 June 2021	31 December 2020
Current liabilities			
Short-term borrowings		1,250,097,996.32	2,738,900,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		612,000.00	654,217.36
Receipts in advance		-	-
Contract liabilities			
Employee benefits payable		83,576.79	267,663.94
Taxes payable		147,537.05	250,168.62
Other payables		2,794,058,327.83	3,289,372,489.44
Held-for-sale liabilities			
Non-current liabilities due within one year		76,598,584.72	550,000,000.00
Other current liabilities		117,753,959.64	
Total current liabilities		4,239,351,982.35	6,579,444,539.36
Non-current liabilities			
Long-term borrowings		10,397,727,707.14	9,762,155,188.55
Bonds payable		6,982,910,810.04	4,982,589,618.17
Including: Preference share			
Perpetual bond			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		17,380,638,517.18	14,744,744,806.72
TOTAL LIABILITIES		21,619,990,499.53	21,324,189,346.08
Shareholders' equity			
Paid-in capital (or Share capital)		10,000,000,000.00	10,000,000,000.00
Other equity instruments		4,992,419,056.60	1,996,632,075.46
Including: Preference shares			
Perpetual bonds		4,992,419,056.60	1,996,632,075.46
Capital reserve		391,385,358.51	391,385,358.51
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		231,090,195.30	231,090,195.30
Undistributed profits		366,949,357.53	-188,663,810.61
Total equity		15,981,843,967.94	12,430,443,818.66
TOTAL EQUITY AND LIABILITIES		37,601,834,467.47	33,754,633,164.74

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months period ended 30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
I. Revenue		78,189,543,590.59	34,534,728,297.64
Including: Operating revenue	V. 55	78,189,543,590.59	34,534,728,297.64
II. Cost of sales		61,712,659,512.22	31,663,528,911.69
Including: Operating cost	V. 55	55,425,959,829.67	27,248,242,849.03
Taxes and surcharges	V. 56	522,229,009.27	313,229,393.92
Selling and distribution expenses	V. 57	2,231,674,163.82	1,632,389,018.95
General and administrative expenses	V. 58	1,087,618,885.08	788,157,618.09
Research and development expenses	V. 59	1,384,123,346.91	1,029,782,918.94
Financial expenses	V. 60	1,061,054,277.47	651,727,112.76
Including: Interest expenses		1,439,571,607.89	721,343,166.66
Interest income		443,899,351.13	140,898,467.82
Add: Other income	V. 61	228,984,189.89	515,145,796.74
Investment income (Losses are indicated by "-")	V. 62	411,524,578.53	180,262,889.46
Including: Investment income from investments in associates and joint ventures		147,566,925.07	49,014,625.08
Gains from derecognition of financial assets measured at amortised cost		-	-
Income from net exposure hedging (Losses are indicated by "-")		-	-
Gains from changes in fair values (Losses are indicated by "-")	V. 63	7,264,355.65	-3,330,785.44
Credit impairment losses (Losses are indicated by "-")	V. 64	-245,217,485.40	48,290,063.56
Impairment losses of assets (Losses are indicated by "-")	V. 65	-51,176,207.05	-18,201,984.70
Gains on disposal of assets (Losses are indicated by "-")	V. 66	2,559,546.35	1,122,354.01
III. Operating Profit (Losses are indicated by "-")		16,830,823,056.34	3,594,487,719.58
Add: Non-operating income	V. 67	66,479,877.61	12,892,056.71
Less: Non-operating expenses	V. 68	231,161,283.89	39,489,298.98
IV. Profit Before Income Taxes (Losses are indicated by "-")		16,666,141,650.06	3,567,890,477.31
Less: Income tax expenses	V. 69	2,521,600,978.73	345,974,647.76
V. Net Profit (Net losses are indicated by "-")		14,144,540,671.33	3,221,915,829.55
(1) Classified by continuity of operations			
1. Net profit from continuing operations (Net losses are indicated by "-")		14,144,540,671.33	3,221,915,829.55
2. Net profit from discontinued operations (Net losses are indicated by "-")			
(2) Classified by ownership			
1. Net profit attributable to equity holders of the Company (Net losses are indicated by "-")		2,688,524,669.50	511,397,190.85
2. Net profit attributable to minority interests (Net losses are indicated by "-")		11,456,016,001.83	2,710,518,638.70
VI. Other Comprehensive Income, Net of Tax		-317,529,500.17	133,998,150.04
(1) Attributable to equity holders of the Company		-65,935,539.75	28,319,252.75
1. Items that will not be reclassified subsequently to profit or loss		34,551,161.13	-10,231,921.96
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans		-	-
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss		-78,035.57	-
(c) Changes in fair value of other equity instrument investments		34,629,196.70	-10,231,921.96
(d) Changes in fair value of the Company's own credit risks		-	-
.....			
2. Items that may be reclassified subsequently to profit or loss		-100,486,700.88	38,551,174.71
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss		-29,117.04	-31,617.29
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Gains arising from changes in fair value of available-for-sale financial assets			
(e) Provision for credit impairment in other debt investments			
(f) Reserve for cash flow hedges		25,728,671.87	5,298,042.47
(g) Exchange differences on translation of foreign currency financial statements		-126,186,255.71	33,284,749.53
.....			
(2) Attributable to minority interests		-251,593,960.42	105,678,897.29
VII. Total Comprehensive Income		13,827,011,171.16	3,355,913,979.59
(1) Attributable to equity holders of the Company		2,622,589,129.75	539,716,443.60
(2) Attributable to minority interests		11,204,422,041.41	2,816,197,535.99
VIII. Earnings per Share			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Income Statement of the Company

For the six months period ended 30 June 2021

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
I. Revenue		84,905.66	
Less: Operating cost			
Taxes and surcharges		186,714.07	602,039.47
Selling and distribution expenses			
General and administrative expenses		7,093,444.43	3,496,533.27
Research and development expenses			
Financial expenses		367,223,659.18	249,605,631.27
Including: Interest expenses		436,533,856.18	260,484,988.56
Interest income		70,890,388.43	10,891,567.38
Add: Other income		10,208.08	
Investment income (Losses are indicated by "-")	XII. 3	989,064,965.41	915,937,720.94
Including: Investment income from investments in associates and joint ventures		712,799.15	
Gains from derecognition of financial assets measured at amortised cost			
Income from net exposure hedging (Losses are indicated by "-")			
Gains from changes in fair values			
Credit impairment losses			
Impairment losses of assets			
Gains on disposal of assets (Losses are indicated by "-")			
II. Operating Profit (Losses are indicated by "-")		614,656,261.47	662,233,516.93
Add: Non-operating income		254,670.59	258,182.23
Less: Non-operating expenses		1,375.00	533,026.98
III. Profit Before Income Taxes (Losses are indicated by "-")		614,909,557.06	661,958,672.18
Less: Income tax expenses			
IV. Net Profit (Net losses are indicated by "-")		614,909,557.06	661,958,672.18
1. Net profit from continuing operations (Net losses are indicated by "-")		614,909,557.06	661,958,672.18
2. Net profit from discontinued operations (Net losses are indicated by "-")			
V. Other Comprehensive Income, Net of Tax			
1. Items that will not be reclassified subsequently to profit or loss			
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans			
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
(c) Changes in fair value of other equity instrument investments			
(d) Changes in fair value of the Company's own credit risks			
2. Items that may be reclassified subsequently to profit or loss			
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Provision for credit impairment in other debt investments			
(e) Reserve for cash flow hedges			
(f) Exchange differences on translation of foreign currency financial statements			
VI. Total Comprehensive Income		614,909,557.06	661,958,672.18
VII. Earnings per Share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Cash Flows

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		88,548,834,644.25	41,198,310,971.66
Refund of taxes and surcharges		1,552,837,285.04	983,196,420.46
Cash receipts relating to other operating activities		1,414,683,535.39	1,231,257,942.78
Sub-total cash inflows from operating activities		91,516,355,464.68	43,412,765,334.90
Cash payments for goods purchased and services received		70,182,763,878.45	29,734,481,766.78
Cash payments to and on behalf of employees		3,448,278,571.27	2,787,763,402.97
Payments of taxes and surcharges		3,667,229,982.28	1,815,801,952.33
Cash payments relating to other operating activities		3,129,810,432.83	2,708,291,188.93
Sub-total cash outflows from operating activities		80,428,082,864.83	37,046,338,311.01
Net cash flows from operating activities		11,088,272,599.85	6,366,427,023.89
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		8,606,368,211.41	19,833,042,445.95
Cash receipts from returns on investments		137,747,663.00	127,171,176.08
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		187,503,540.91	19,673,937.66
Net cash received from disposals of subsidiaries and other business units		642,095,712.66	-
Cash receipts relating to other investing activities		277,189,686.70	592,532,769.48
Sub-total cash inflows from investing activities		9,850,904,814.68	20,572,420,329.17
Cash payments to acquire fixed assets, intangible assets and other long-term assets		16,445,956,911.53	13,220,477,210.57
Cash payments for investments		8,723,709,939.87	22,463,397,839.80
Net cash payments to acquire subsidiaries and other business units		10,000,000.00	101,492,544.42
Cash payments relating to other investing activities		301,800,164.91	445,264,186.70
Sub-total cash outflows from investing activities		25,481,467,016.31	36,230,631,781.49
Net cash flows from investing activities		-15,630,562,201.63	-15,658,211,452.32
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		3,586,888,528.31	1,312,331,400.00
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		586,888,528.31	1,312,331,400.00
Cash receipts from borrowings		69,087,459,683.89	57,464,582,088.15
Cash receipts relating to other financing activities		641,207,400.00	67,656,000.00
Sub-total cash inflows from financing activities		73,315,555,612.20	58,844,569,488.15
Cash repayments of borrowings		51,586,959,328.79	35,088,846,248.00
Cash payments for distribution of dividends or profit and interest expenses		5,446,116,294.18	4,878,481,435.77
Including: Dividends or profit paid to minority shareholders of subsidiaries		3,886,345,066.92	3,531,893,528.60
Cash payments relating to other financing activities		231,832,918.46	71,560,528.92
Sub-total cash outflows from financing activities		57,264,908,541.43	40,038,888,212.69
Net cash flows from financing activities		16,050,647,070.77	18,805,681,275.46
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		35,194,868.07	-10,002,369.89
V. Net Increase in Cash and Cash Equivalents		11,543,552,337.06	9,503,894,477.14
Add: Cash and Cash Equivalents at the beginning of the period		26,297,452,130.51	7,714,068,694.58
VI. Cash and Cash Equivalents at the end of the period		37,841,004,467.57	17,217,963,171.72

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Cash Flows of the Company

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	For the six months ended 30 June 2021	For the six months ended 30 June 2020
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		90,000.00	
Refund of taxes and surcharges		10,208.08	
Cash receipts relating to other operating activities		3,121,487,250.07	2,176,522,276.11
Sub-total cash inflows from operating activities		3,121,587,458.15	2,176,522,276.11
Cash payments for goods purchased and services received			
Cash payments to and on behalf of employees		4,788,144.37	2,000,329.14
Payments of taxes and surcharges		346,342.90	3,538,734.98
Cash payments relating to other operating activities		8,059,117,725.10	2,451,372,410.08
Sub-total cash outflows from operating activities		8,064,252,212.37	2,456,911,474.20
Net cash flows from operating activities		-4,942,664,754.22	-280,389,198.09
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		4,407,356,000.00	12,766,022,608.85
Cash receipts from returns on investments		984,792,917.44	958,962,529.67
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash receipts relating to other investing activities		14,301,479.31	88,624,464.12
Sub-total cash inflows from investing activities		5,406,450,396.75	13,813,609,602.64
Cash payments to acquire fixed assets, intangible assets and other long-term assets		60,843,494.00	
Cash payments for investments		3,051,678,168.25	15,447,122,000.00
Net cash payments to acquire subsidiaries and other business units			
Cash payments relating to other investing activities		202,150,098.04	168,798.46
Sub-total cash outflows from investing activities		3,314,671,760.29	15,447,290,798.46
Net cash flows from investing activities		2,091,778,636.46	-1,633,681,195.82
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		3,000,000,000.00	
Cash receipts from borrowings		5,210,000,000.00	6,590,000,000.00
Cash receipts relating to other financing activities			
Sub-total cash inflows from financing activities		8,210,000,000.00	6,590,000,000.00
Cash repayments of borrowings		4,621,100,000.00	3,508,502,655.86
Cash payments for distribution of dividends or profit and interest expenses		402,361,350.76	677,791,481.77
Cash payments relating to other financing activities		459,423,605.48	210,396,000.00
Sub-total cash outflows from financing activities		5,482,884,956.24	4,396,690,137.63
Net cash flows from financing activities		2,727,115,043.76	2,193,309,862.37
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		-123,771,074.00	279,239,468.46
Add: Cash and Cash Equivalents at the beginning of the period		3,347,996,138.85	685,447,392.45
VI. Cash and Cash Equivalents at the end of the period		3,224,225,064.85	964,686,860.91

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Changes in Equity

Unit: RMB Yuan

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

For the six months period ended 30 June 2021

	Attributable to equity holders of the Company							Subtotal	Minority interests	Total owners' equity
	Parent capital (or share capital)	Preference shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
			Perpetual bonds							
			Others							
I. Balance at 31 December 2020	10,000,000,000.00	-	1,995,632,075.46	-	-	135,959,581.83	11,862,095.08	35,374,567.93	5,361,453,363.96	70,651,890,563.44
II. Changes in accounting policies										
III. Changes in accounting policies										
IV. Business combination involving entities under common control										
V. Others										
VI. Balance at 1 January 2021	10,000,000,000.00	-	1,995,632,075.46	-	-	135,959,581.83	11,862,095.08	35,374,567.93	5,361,453,363.96	70,651,890,563.44
VII. Changes for the Year										
(i) Total other comprehensive income										
(ii) Owners' contributions and reduction in capital										
1. Ordinary shares contributed by owners (shareholders)										
2. Capital contribution from holders of other equity instruments										
3. Share-based payment recognised in owners' equity										
4. Others										
(iii) Profit distribution										
1. Transfer to surplus reserve										
2. Distributions to owners (shareholders)										
3. Others										
(iv) Transfers within owners' equity										
1. Capitalisation of capital reserve (or share capital)										
2. Capitalisation of surplus reserve (or share capital)										
3. Loss offset by surplus reserve										
4. Changes in defined benefit plan carried forward to retained earnings										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
(v) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilized in the period										
(vi) Others										
VIII. Balance at 30 June 2021	10,000,000,000.00	-	4,992,419,056.60	-	-	76,034,042.08	16,207,367.96	35,374,567.93	7,896,630,955.35	84,373,045,655.58

Legal Representative

Chief Financial Officer

Head of the Finance Department

[Signature]

[Signature]

Consolidated Statement of Changes in Equity (Continued)

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

For the six months period ended 30 June 2020													
Attributable to equity holders of the Company													
	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Unallocated profits	Subtotal	Minority interests	Total owners' equity
		Preference shares	Perpetual bonds	Others									
I. Balance at 31 December 2019	10,000,000,000.00						-32,577,155.68	8,937,751.17	143,532,678.68	4,504,822,040.87	14,624,735,315.04	43,816,201,961.60	58,440,937,276.64
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combination involving entities under common control													
Others													
II. Balance at 1 January 2020	10,000,000,000.00						-32,577,155.68	8,937,751.17	143,532,678.68	4,504,822,040.87	14,624,735,315.04	43,816,201,961.60	58,440,937,276.64
III. Changes for the Year							28,319,232.75	5,290,137.24	-143,532,678.68	-7,603,765.47	-117,417,166.40	563,958,811.36	446,541,644.96
(i) Total other comprehensive income							28,319,232.75			911,397,190.85	539,716,413.60	2,816,197,335.99	3,355,913,979.59
(ii) Owners' contributions and reduction in capital													
1. Ordinary shares contributed by owners (shareholders)													
2. Capital contribution from holders of other equity instruments													
3. Share-based payment recognised in owners' equity													
4. Others													
(iii) Profit distribution													
1. Transfer to surplus reserve													
2. Distributions to owners (shareholders)													
3. Others													
(iv) Transfers within owners' equity													
1. Capitalisation of capital reserve (or share capital)													
2. Capitalisation of surplus reserve (or share capital)													
3. Loss offset by surplus reserve													
4. Changes in defined benefit plan carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(v) Special reserve													
1. Transfer to special reserve in the period													
2. Amount utilized in the period													
(vi) Others													
IV. Balance at 30 June 2020	10,000,000,000.00						-4,257,902.93	14,237,888.41	-143,532,678.68	-25,292,248.43	14,507,318,148.64	44,390,160,772.96	58,887,478,921.60

Legal Representative:

Chief Financial Officer:

[Signature]

Head of the Finance Department:

[Signature]

Statement of Changes in Equity of the Company

Prepared by Yangtze Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at 31 December 2020	10,000,000,000.00		1,996,632,075.46		391,385,358.51				231,090,195.30	-188,663,810.61	12,430,443,818.66
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Balance at 1 January 2021	10,000,000,000.00		1,996,632,075.46		391,385,358.51				231,090,195.30	-188,663,810.61	12,430,443,818.66
III. Changes for the Year			2,995,786,981.14							555,613,168.14	3,551,400,149.28
(i) Total other comprehensive income											
(ii) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners (shareholders)			2,995,786,981.14							614,909,557.06	614,909,557.06
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve										-59,296,388.92	-59,296,388.92
2. Distributions to owners (shareholders)											
3. Others											
(iv) Transfers within owners' equity											
1. Capitalisation of capital reserve (or share capital)											
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period											
(vi) Others											
IV. Balance at 30 June 2021	10,000,000,000.00		4,992,419,056.60		391,385,358.51				231,090,195.30	366,949,357.53	15,981,843,967.94

Chief Financial Officer:

Head of the Finance Department:

[Signature]

[Signature]

[Signature]

Statement of Changes in Equity of the Company (Continued)

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

For the six months period ended 30 June 2020											
	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at 31 December 2019	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15
Add: Changes in accounting policies and error corrections											
Others											
II. Balance at 1 January 2020	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15
III. Changes for the Year					-168,844,927.11					168,249,961.29	-594,962.82
(i) Total other comprehensive income										661,958,672.18	661,958,672.18
(ii) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners (shareholders)											
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve										-493,708,707.89	-493,708,707.89
2. Distributions to owners (shareholders)										-493,708,707.89	-493,708,707.89
3. Others											
(iv) Transfers within owners' equity											
1. Capitalisation of capital reserve (or share capital)											
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period											
(vi) Others											
IV. Balance at 30 June 2020	10,000,000,000.00				-168,844,927.11				195,715,627.37	589,789,340.48	11,176,893,761.33

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

[Signature]

[Signature]

Yantai Guofeng Investment Holdings Group Co., Ltd.

Notes to the Financial Statements

For the six months period ended 30 June 2021

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information of the Company

Yantai Guofeng Investment Holdings Group Co., Ltd. (hereinafter referred to as “Guofeng Group”, “Company” or “The Company”), previously known as Yantai Guofeng Investment Holdings Co., Ltd. The registered capital is RMB 10 Billion. The registered address is No.267 Nandajie, Zhifu district, Yantai, Shandong Province, PRC. The Company mainly conduct the following businesses: Operation and management of the state-owned property right (equity interests) authorised by State-owned Assets Supervision and Administration Commission of Municipal Government (municipal SASAC); financing, investment, operation and management of government strategic investment and industrial investment and other projects; capital operation for state-owned property rights and equity interests (including acquisition, reorganisation and integration and transfer, etc) within the scope of authorisation; venture capital business; venture capital business on behalf of other venture capital enterprises and other institutions or individuals; rendering of venture capital management service for venture capital enterprises; participation in establishing venture capital enterprises and venture capital management and advisory institutions; investment and financing services; consulting business; other businesses authorised by the municipal SASAC; wholesale and retail of non-ferrous metals and mineral products, gold (spot), silver (spot), chemical products (excluding hazardous goods), battery materials (excluding hazardous chemicals); import and export of goods and technologies. (Business scope does not include pre-approved projects and projects restricted by national industrial policies; projects that need to be approved according to law can be operated only after

being approved by relevant departments).

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of Yantai Government (hereinafter referred to as “Yantai SASAC”).

The financial statements of the Company have been approved for issue by the board of the directors on 23 September 2021.

2. Scope of consolidated financial statements

From January to June 2021, a total of 19 first-tier subsidiaries are included in the consolidation scope of the Company, as detailed in Note VI. CONSOLIDATION SCOPE AND ITS CHANGES.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with *the Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance (the “MOF”) (decree No.33 of the MOF, revised decree No.76 of the MOF), and 42 specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “ASBEs”) promulgated and revised on or after 15 February 2006.

These financial statements also comply with the disclosure requirements of *Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15 – General Requirements for Financial Reports* issued by the China Securities

Regulatory Commission (“CSRC”).

The Company adopts the accrual basis of accounting in accordance with the requirements of ASBEs. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Going concern

The Company has performed an assessment of the going concern for the following twelve months from the end of the reporting period and does not identify any significant doubtful matter on the going concern. As such, these financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with ASBEs

The financial statements of the Company are in compliance with the ASBEs to truly and completely reflect consolidated and the Company’s financial position as at 30 June 2021 and consolidated and the Company’s operating results, changes in equity and cash flows for the six months period then ended.

2. Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realisation of those assets in cash or cash equivalents. The Company adopts 12 months of an operating cycle as the criteria for determining liquidity of assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries reporting and presentation currency is Renminbi ("RMB"). The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The Company adopts RMB to present its financial statements.

5. Accounting treatment of business combination involving entities under common control and not under common control

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

(1) Business combination 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 combination, and that control is not transitory.

Assets and liabilities that are obtained in a business combination involving entities under common control shall be measured on the basis of their book value in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the book value of the net assets and the book value of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against

retained earnings.

Various direct expenses incurred for business combination are recognised in profit or loss when they are incurred.

(2) Business combination involving entities not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. For a business combination not involving entities under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. Where the acquirer's previously held interest in the acquiree before the acquisition date is remeasured at fair value at the acquisition date, with any difference between fair value and book value included in investment income for the current period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria, shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquiree's

interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of the combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination. If after that reassessment, the cost of the combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. Goodwill is tested for impairment at least at the end of each year.

6. Method for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee, exposure or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries shall refer to the main bodies controlled by the Company.

No matter when the business combination occurs during the reporting period, subsidiaries and businesses acquired through a business combination involving entities under common control regarded as the same as they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. The opening balances and the comparative figures of the consolidated balance sheet shall be restated. The operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary and business acquired through a business combination involving entities not under common control, the operation results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows. The opening balance and the comparative figures of the consolidated financial statements are not adjusted.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. If not, adjustments shall be made in accordance with the uniform accounting policies and accounting periods of the Company.

All significant intra-group balances and transactions between the company and subsidiaries and between subsidiaries are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interest is presented as "minority interest" in the consolidated income statement below the "net profit" line item.

The portion of total comprehensive income of subsidiaries for the period attributable to minority shareholders is presented as "total comprehensive income attributable to minority interests" in the consolidated income statement below the "total comprehensive income" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of

shareholders' equity of the subsidiary, the excess amounts are still deducted from minority interests.

Acquisition of minority or disposal of an interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The book values of the equity holders of the Company and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is adjusted to capital reserve (capital premium or equity premium) under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

If the Company loses control over a subsidiary due to the disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost when preparing the consolidated financial statements. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, with a write-down against goodwill meanwhile. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

If the control right losses due to disposal of the equities in subsidiaries through multiple transactions, and the terms, conditions and economic impact of the transactions related to the Company's disposal of its investment in the subsidiary meet one or more of the following circumstances, it should be deemed that multiple transaction events are included into a package of transactions: (a) These transactions are concluded at the same time or under the consideration of mutual effect; (b) These transactions as a whole can reach a complete business results; (c) The occurrence of a transaction depends on

the occurrence of at least one other transaction; (d) The transactions are deemed as non-economically feasible individually while economically feasible when they are viewed together. Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package of transactions, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognised as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control. Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package of transactions, each transaction is accounted for as an independent transaction.

7. Classification of joint arrangements 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.

The Company makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. Joint arrangements are classified as joint operations and joint ventures.

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 Company shall recognise in relation to its interest in a joint operation and conducts accounting treatment in accordance with the relevant ASBEs as follow:

- (1) its solely-held assets, and its share of any assets held jointly;
- (2) its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the output by the joint operation;
- (5) its solely-incurred expenses, and its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company's long-term investment in the joint venture is accounted by the equity method.

8. Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and deposits that can be readily withdrawn on demand. The term "cash equivalents" refers to short-term (generally maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Translation of transactions and financial statements denominated in foreign currencies

- (1) Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (a) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualifies for

capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (b) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (c) exchange differences arising from non-monetary items (like stocks) and changes in the book values (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date when the fair value is determined. The difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of the exchange rate), and recognised in profit or loss for the current period or in other comprehensive income.

(2) Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; except for the “undistributed profit” item, the items of shareholders’ equity or owners’ equity are translated at the spot exchange rates at the dates on which such items arose. All items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that the spot exchange rates or approximate the actual spot exchange rates on the dates of the transactions; the undistributed profit at the beginning of the year is the undistributed profit at the end of the year after the conversion of the previous year; the undistributed profit at the end of the year is calculated and stated according to the converted profit distribution items. The difference between the translated assets and the aggregate of

liabilities and shareholders' equity or owners' equity items is separately presented as other comprehensive income under the shareholders' equity.

Cash flows arising from a transaction dominated in foreign currencies and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows, namely, the spot exchange buying and selling rates on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

10. Financial instruments

(i) Guofeng Group and other unlisted subsidiaries implemented the Original Standards for Financial Instruments before 31 December 2020

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of financial assets and financial liabilities

On initial recognition, the Company's financial assets acquired or financial liabilities assumed are classified into the following five categories in accordance with its own business characteristics and risk management requirements, including financial assets or liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets and other financial liabilities.

1) Financial assets or financial liabilities measured at fair value through profit or loss can be further divided into trading financial assets or financial liabilities and financial assets or financial liabilities directly designated as measured at fair value through profit or loss.

2) Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable recovery amount, and the management has clear intention and ability to hold them to maturity.

3) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include notes receivable, accounts receivable, interests receivable, dividends receivable and other receivables.

4) Available-for-sale financial assets include non-derivative financial assets designated as financial assets available-for-sales at the initial recognition, and financial assets other than financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

5) Other financial liabilities refer to the financial liabilities that have not been classified as financial liabilities measured at fair value through profit or loss.

(2) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument. According to the recognition conditions, the Company recognises the rights or obligations formed by derivative instrument contracts within the scope of recognition and measurement of financial instruments as financial assets or financial liabilities. However, if the derivative involves the transfer of financial assets and causes the transfer of financial assets to fail to meet the derecognition conditions, it should not be recognised, otherwise the obligations formed by the derivative will be repeatedly recognised.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly

attributable transaction costs are charged to current profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs and constitute the effective interest component.

Subsequent measurement of financial assets:

Financial assets measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value and interests or cash dividends to be received during the holding period are recognised in the profit or loss for the period.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Available-for-sale financial assets are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are transferred to profit or loss for the period.

Interests obtained and cash dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment income.

Investment in equity instrumentst that are not quoted in the active market and whose fair value cannot be reliably measured, as well as derivative financial assets that are linked to the equity instrument and must be settled by delivery of equity instrument, shall be measured at cost.

Subsequent measurement of financial liabilities:

Financial liabilities measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted.

For a derivative liability that is linked to and must be settled by delivery of an equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, it is subsequently measured at cost.

For financial guarantee contracts that does not belong to designated as financial liabilities at fair value through profit or loss, loan commitments are not designated as financial liabilities at fair value through profit or loss and will lent at a rate lower than the market interest rate, they are, after initial recognition, subsequently measured at the higher of: (a) the amount determined in accordance with *Accounting Standard for Business Enterprises No.13 - Contingencies*; and (b) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in *Accounting Standard for Business Enterprises No.14 - Revenue*.

Financial liabilities other than mentioned above financial liabilities are subsequently measured at amortised cost using the effective interest method.

(3) Recognition basis and measurement method of transfer of financial assets

The Company derecognises a financial asset if one of the following conditions is satisfied: (a) the contractual rights to the cash flows from the financial asset expire; or (b) the financial asset has been transferred and substantially all the risks and rewards of

ownership of the financial asset is transferred to the transferee; or (c) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the book value of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss from changes in fair value that has been recognised in other comprehensive income, is recognised in profit or loss for the period.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the book value of the transferred financial asset is allocated between the part that is derecognised and the part that is continuously involved, based on the respective fair values of those parts. The difference between (i) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income; and (ii) the book value allocated to the part derecognised on derecognition date; is recognised in profit or loss for the period.

If the company sells the financial assets attaching resource right or transfers the financial assets by endorsement, it is necessary to determine whether nearly all the risks and rewards of ownership of the financial assets have been transferred. If nearly all the risks and rewards of the ownership of the financial assets have been transferred to the

transferor, the financial assets shall be derecognised. If nearly all the risks and rewards of the ownership of financial assets are retained, the financial assets shall not be derecognised. If there are no transfer or retention of nearly all the risks and rewards of the ownership of the financial assets, the Company shall continue to judge whether it has retained control over the assets, and make corresponding accounting treatment according to principles described previously.

(4) Derecognition of financial liabilities

The Company derecognises a financial liability or part of it only when the underlying present obligation or part of it is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognises a financial liability or a part of it, it recognises the difference between the book value of the financial liability or part of the financial liability derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

(5) Determination method for the fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. A quoted market price in an active market refers to the price that can be obtained easily periodically from exchanges, brokers, industry associations and pricing service institutions, etc. A quoted market price represents the price of market transactions actually occurring in orderly transaction. The fair value of a financial instrument, for which there is no active market,

is determined by using valuation techniques. Valuation techniques include referring to the prices used in recent market transactions by parties familiar with the situation and willing to trade, referring to the current fair value of other financial instruments that are essentially the same, discounted cash flow method and option pricing model, etc.

(6) Impairment of financial assets

The Company assesses at each balance sheet date the book values of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Company determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- 1) the significant financial difficulty of the issuer or obligor;
- 2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- 3) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- 4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- 5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- 6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Company of financial assets since the initial recognition of those assets, although the decrease

cannot yet be identified with the individual financial assets in the group. Such observable data includes adverse changes in the payment status of the borrower in the group of assets and economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost over 50% (including 50%) at the balance sheet date, or the duration of the fair value below its initial investment cost by more than 12 months (including 12 months);

9) other objective evidence indicating there is an impairment of a financial asset.

Impairment of held-to-maturity investments and loans and receivables

If financial assets carried at amortised cost are impaired, the book values of the financial assets are reduced to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the book value of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them

for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (including financial assets are individually significant and insignificant), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the initial acquisition cost of the asset after deducting the recovered principal and amortised amount, the current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in the value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the book value of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an

impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

(ii) Domestic listed subsidiaries implemented the New Standards for Financial Instruments from 1 January 2019, Guofeng Group and other unlisted subsidiaries implemented the New Standards for Financial Instruments from 1 January 2021

The domestic listed subsidiaries include: Wanhua Chemical Group Co., Ltd. (hereinafter referred to as “Wanhua Chemical”), Yantai Tayho Advanced Materials Co., Ltd. (hereinafter referred to as “Tayho Advanced Materials”), Moon Environment Technology Co., Ltd. (hereinafter referred to as “Moon Environment”), and Yantai Ishikawa Sealing Technology Co., Ltd. (hereinafter referred to as “Ishikawa Sealing”).

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of a financial instrument.

(1) Financial assets

1) Classification and measurement

The Company classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (a) financial assets measured at amortised cost; (b) financial assets measured at fair value through other comprehensive income; (c) financial assets measured at fair value through profit or loss.

Financial assets are initially recognised at fair value. For financial measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets, any related directly attributable transaction costs are included in their initial costs. However, accounts

receivable and notes receivable arising from sales of goods or rendering services, without or no consideration of significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

Debt instruments

The debt instruments held by the Company refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The business model for managing such financial assets by the Company are held for collection of contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, that are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method. The financial assets include cash and bank balance, notes receivable, accounts receivable, other receivable, debt investments and long-term receivables, etc. The Company's debt investments and long-term receivables due within one year (including one year) are presented in the line item "non-current assets due within one year" in the balance sheet; debt investments acquired within one year (including one year) are presented in the line item "other current assets" in the balance sheet.

Measured at fair value through other comprehensive income ("FVTOCI"):

The business model for managing such financial assets by the Company are held for collection of contractual cash flows and for selling the financial assets, the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Movements in the book value are taken through other comprehensive

income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss for the period. The financial assets mainly include receivables financing and other debt investments. The Company's other debt investments due within one year (including one year) are presented in the line item "non-current assets due within one year" in the balance sheet; other debt investments acquired within one year (including one year) are presented in the line item "other current assets" in the balance sheet.

Measured at fair value through profit and loss ("FVTPL"):

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are categorised into financial assets measured at FVTPL and presented in trading financial assets. On initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The financial assets held more than one year from the balance sheet date and are expected to be held for more than one year are presented in "other non-current financial assets".

Equity instruments

Equity instruments that the Company has no power to control, jointly control or exercise significant influence over, are measured at FVTPL and presented as financial assets held for trading. If it is expected to hold more than one year since the balance sheet date, it shall be presented in "other non-current financial assets".

In addition, the Company designates some equity instruments that are not held for trading as financial assets measured at FVTOCI, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss for the period.

2) Impairment

The Company recognises impairment losses for expected credit losses (“ECLs”) on financial assets measured at amortised cost and investment in debt instruments and financial guarantee contracts measured at FVTOCI.

The Company measures and recognises ECLs, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Company takes the risk of default as the weight to calculate the probability weighted amount of the present value of the difference between the cash flow receivable in the contract and the cash flow expected to be received.

The Company measures the ECLs of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Company measures the impairment losses at an amount equal to 12-month ECLs. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs.

For financial instruments that have low credit risk at the balance sheet date, the Company assumes that there is no significant increase in credit risk since the initial recognition, and measures the impairment loss at an amount equal to 12-month ECLs.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Company calculates interest income according to book value without deducting the impairment loss and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the book value minus amortised cost after the provision of impairment loss and effective interest rate.

(a) For notes receivable, accounts receivable and receivables financing, the Company measures the impairment loss at an amount equal to lifetime ECLs whether or not there is a significant financing component.

In case the ECLs of individually assessed notes receivable, accounts receivable and receivables financing cannot be evaluated with reasonable cost, the Company divides notes receivable, accounts receivable and receivables financing into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of accounts receivable	Accounts receivable for which the credit impairment losses are made based on aging
Grouping 2 of accounts receivable	Accounts receivable for which the credit impairment losses are made based on overdue aging

The Company, with consideration to historical credit loss experience, current conditions and forecasts of future economic conditions, prepares the cross-reference between the ageing of accounts receivable and the lifetime expected credit loss rate, and calculates the ECLs of accounts receivable that are classified into groupings.

Grouping 1 of notes receivable	Bank acceptance bills
Grouping 2 of notes receivable	Commercial acceptance bills
Grouping of receivables financing	Bank acceptance bills
Grouping of receivables financing	Commercial acceptance bills

Based on the exposure at default and the lifetime expected credit loss rate, the Company calculates the ECLs of notes receivable and receivables financing that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

(b) In case the ECLs of other receivables and long-term receivables individually

assessed cannot be evaluated with reasonable cost, the Company divides other receivables and long-term receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of other receivables	Aging portfolio
Grouping 2 of other receivables	Risk free portfolio
Grouping 1 of long-term receivables	Aging portfolio

The Company, on the basis of the exposure at default and the lifetime expected credit loss rate, calculates the ECLs of long-term receivables that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions. The Company calculates the ECLs of other receivables based on the exposure at default and the 12-month/the lifetime expected credit loss rate.

(c) The Company recognises the impairment loss accrued or written back in profit or loss. For debt instruments measured at FVTOCI, the Company adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

3) Derecognition

The Company derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Company transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Company has not retained control.

On derecognition of other equity instrument investments, the difference between the

book values and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss for the period.

(2) Financial liabilities

The Company, at initial recognition, classifies financial liabilities as either financial liabilities measured at amortised cost or financial liabilities measured at FVTPL.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payable, accounts payable, other payables, borrowings and bonds payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement. If the terms are less than one year (including one year), these financial liabilities are presented in current liabilities; if the terms are more than one year but matures within one year (including one year) from the balance sheet date, financial liabilities are presented in "non-current liabilities due within one year"; the remaining financial liabilities are presented in "non-current liabilities".

Where the present obligations of financial liabilities are completely or partially discharged, the Company derecognises these financial liabilities or discharged parts of obligations. The differences between the book values and the consideration received are recognised in profit or loss for the period.

(3) Determination of fair value of financial instruments

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Company adopts valuation techniques that are applicable in the current

situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

11. Inventories

(1) Categories of inventories

The Company's inventories mainly include raw materials, turnover materials, work in progress and finished goods, etc.

(2) Valuation method of inventories upon delivery

Inventories are initially measured at cost. The actual cost of inventories upon delivery is calculated using the weighted average method.

(3) Basis for determining the net realisable value of inventories and provision methods for the decline in value of inventories

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined based on clear evidence obtained, and takes into consideration of the purposes of holding inventories and effect of post balance sheet events.

For inventories with large quantity and low values, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of the cost of inventory over its net realisable

value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed within the amount of the original provision for decline in value, and the reversal is included in profit or loss for the period.

(4) Inventory count system

The perpetual inventory system is maintained for the stock system.

(5) Amortisation method for low cost and short-lived consumable items and packaging materials

Low cost and short-lived consumable items and packaging materials are amortised using the immediate write-off method.

12. Contract assets and contract liabilities

In the contract between the Company and a customer, the Company shall have the right to collect the contract price for the goods and services that have been transferred to a customer, and at the same time undertake the performance obligation of transferring the goods or services to a customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before the consideration is due and payable, the right to receive consideration for the transferred goods or services shall be listed as a contract asset and recognised as accounts receivable when an unconditional right to receive payment is obtained. On the contrary, the Company's obligation to transfer goods or services to a customer due to the consideration received or receivable shall be shown as a contract liability. Contract liabilities are recognised as revenue when the Company fulfills an obligation to transfer goods or provide services to a customer. A contract asset and a contract liability relating

to the same contract are accounted for and presented on a net basis.

Regardless of whether there is a significant financing component or not, the impairment provision of the Company's contract assets are measured based on the lifetime expected credit losses (ECLs). The Company recognises the losses provision for contract assets made or the reversals in profit or loss for the period. In case the ECL of contract assets individually assessed cannot be evaluated with reasonable cost, the Company divides contract assets into certain groupings based on credit risk characteristics, and calculates the ECL for the groupings.

The Company, on the basis of the exposure at default and lifetime expected credit loss rate, calculates the ECLs of contract assets that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

13. Non-current assets (or disposal groups) held for sale

(1) Classification of non-current assets (or disposal groups) held for sale

A disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

The Company classifies non-current assets (or disposal groups) meeting the following conditions at the same time as assets held for sale:

- 1) the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group);
- 2) the sale is highly probable. The Company has made a resolution for one selling plan and had acquired decided purchase commitment. Further, the sale is expected to

complete within one year of the asset being classified as held for sale. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

Confirmed purchase commitment refers to the legally binding purchase agreement signed by the Company and other parties, which contains important terms such as transaction price, time and severe penalty for breach of contract, so that the possibility of significant adjustment or cancellation of the agreement is highly unlikely.

(2) Measurement of non-current assets (or disposal groups) held for sale

When the Company measures initially or re-measures a non-current asset or disposal group held for sale on the balance sheet date, if its previous book value is higher than fair value less costs to sell, the book value shall be written down to fair value less costs to sell, and the amount written down shall be recognised as an impairment loss in the profit and loss for the period. Meanwhile, a provision for impairment of assets held for sale shall be made.

For the amount of an impairment loss confirmed by the disposal group held for sale, the book value of goodwill in the disposal group shall be offset firstly, and then the book value of non-current assets in the disposal group shall be offset, on a pro-rata basis of the book value of each asset in the group.

If there are any increases in fair value less costs to sell of an asset at subsequent balance sheet date, the amount written down previously shall be restored, but not in excess of any cumulative impairment loss recognised after being classified as held for sale. The reversal amount shall be included in the current profit and loss. An impairment loss of asset before being classified as held for sale should not be reversed.

If there are any increases in fair value less costs to sell of a disposal group at subsequent balance sheet date, the amount written down previously shall be restored, but not in

excess of any cumulative impairment loss recognised after being classified as held for sale. The reversal amount shall be included in the current profit and loss. The book value of the goodwill that has been written off, and the impairment loss of assets before the non-current assets are classified as held for sale, shall not be reversed.

For non-current assets or disposal groups classified as held for sale on the acquisition date, the Company compares the amount of initial measurement of these assets not classified as held for sale and fair value less costs to sell, and net amount is measured at the lower of them. The difference arising from the amount measured at fair value less costs to sell as the initial measurement of non-current assets or disposal groups shall be included in the current profit and loss, except for the non-current assets or disposal groups obtained in a business combination.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

When a non-current asset or disposal group is no longer classified as a held for sale category due to it is no longer satisfied with the classification conditions of held for sale, or the non-current asset is removed from the disposal group, it shall be measured according to the lower of the following amounts:

1) the book value before being classified as held for sale is adjusted according to the depreciation, amortisation or impairment that should have been recognised under the assumption that it is not classified as held for sale;

2) recoverable amount.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised in profit or loss for the period at the date of

derecognition.

14. Long-term equity investment

Long-term equity investment includes equity investment in subsidiaries, associates and joint ventures.

(1) Determination of initial investment cost

Long-term equity investments acquired through a business combination, the initial investment cost shall be determined according to the following provisions:

For a long-term equity investment acquired through business combination involving entities under common control, the Company pays a consideration to the investee in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the investee in the consolidated financial statements of the ultimate controller shall be recognised, on the combination date, as the initial cost of the long-term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the holders' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

For a long-term equity investment obtained through a business combination involving

entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial investment cost of the long-term equity investment is the share of the book value of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. The difference between this initial cost and the sum of the book value of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

For a long-term equity investment acquired through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial cost comprises the book value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. If the previously-held equity is accounted by the equity method, the relevant other comprehensive income shall not be accounted for temporarily.

Long-term equity investments acquired other than through a business combination are measured at cost initially.

(2) Subsequent measurement and the method to recognise profit and loss

Long-term equity investments accounted for using the cost method:

Long-term investments in subsidiaries are accounted for using cost method in the Company's separate financial statements. Subsidiaries refer to the investees over which the Company can exert control.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly.

Long-term equity investments accounted for using the equity method:

The Company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Company has significant influence and a joint venture refers to an investee under the joint control of the company and other investors.

When an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Company shall measure the portion of the investment in the associate held indirectly at fair value through profit or loss in accordance with *Accounting Standards for Business Enterprises No.22 - Recognition and measurement of financial instruments* regardless of whether above entities have significant influence over that portion of the investment. The Company shall apply the equity method to any remaining portion of its investment in an associate that is not held through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable

net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognises its share of the net profit or loss of the investee for the period as investment income for the period. In calculating its share of the investee's net profits or losses, the Company recognises investment income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Company based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised gains or losses resulting from the Company's transactions with its associates and joint ventures, which does not constitute a business, are eliminated based on the proportion attributable to the Company and the investment gains or losses are recognised on such basis. However, unrealised losses resulting from the Company's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Company recognises its share of other comprehensive income of the investee for the period as other comprehensive income for the period. Meanwhile, the book value of long-term equity investment is adjusted; the book value of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are correspondingly adjusted to the book value of the long-term equity investment, and recognised in the equity.

The Company discontinues recognising its share of net losses of the investee after the book value of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. In

addition, if the Company has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(3) Determination criteria of control, joint control and significant influence over investee

Control is defined as power over the investee, exposed or having the rights to variable returns from its involvement with the investee and having the ability to use its power to affect its returns. Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, convertible debts and warrants) held by the Company or other parties that are currently exercisable or convertible shall be considered.

15. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

Investment properties are measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be measured reliably, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Company uses the cost model for the subsequent measurement of its investment properties, and shall be depreciated or amortised it in accordance with the policies consistent with houses, buildings or land use rights.

For transfers from owner-occupied properties or inventories to investment property and from investment property to owner-occupied property, the property's deemed cost for subsequent accounting shall be its previous book value at the date of change in use.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and related taxes is recognised in profit or loss for the period.

16. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting year. The cost of an item of fixed asset shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile, the book value of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(2) Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the

month subsequent to the one in which it is ready for intended use. The useful life, estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimate useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Land ownership <i>(Note)</i>	Freehold	0	0
Buildings	10-50	0-10	1.80-10
Machinery and equipment	1-20	0-30	3.5-100
Transportation vehicles	3-12	0-10	7.5-33.33
Electronic equipment and others	3-10	0-10	9-33.33

Note: The freehold lands shall not be depreciated, are located in the USA, Hungary, the Czech Republic and the UK.

Estimated residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Other explanations

The useful lives, estimated residual value and depreciation method shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate.

The book value of a fixed asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and related taxes is recognised in profit or loss for the period.

17. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures. An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use.

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that is necessary to prepare the asset for its intended use or sales have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than three months. Capitalisation is suspended until the construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average

of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

19. Right-of-use assets

Except for short-term leases and leases of low value assets, the Company recognises right-of-use assets at the commencement date of the lease. The commencement date of the lease is the date the underlying asset provided by the Company is available for use. Right-of-use assets are measured at cost, which includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, excluding costs incurred for the production of inventories.

The Company depreciates the right of use assets in accordance with the relevant depreciation requirements of *the Accounting Standards for Business Enterprises No.4 – Fixed Assets*. Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company determines whether the right of use assets are impaired and accounts for the identified impairment loss based on *the Accounting Standards for Business Enterprises No.8 – Impairment of Assets*.

20. Intangible assets

(1) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from owned or controlled by the Company. Intangible assets include patents, non-patented technology, trademark, copyrights, land use rights, franchises and computer software, etc.

Intangible assets are measured initially at cost. The useful life of intangible assets that arises from contractual or other legal rights should not exceed the period of the rights. For intangible assets without contractual or other legal provisions, the Company shall assess various aspects to determine the time limit for the intangible asset is expected to generate economic benefits for the Company, such as hiring relevant experts to conduct argumentation or comparison with the situation in the same industry and the Company's historical experience, etc. Intangible assets shall be regarded by the Company as having indefinite useful life when, based on the above efforts, there is no foreseeable limit to the period over which the assets are expected to generate economic benefits for the Company. Amortisation shall begin when intangible assets with finite useful life are available for use. Their original value less estimated net residual value and the accumulative amount of accrued impairment reserves are amortised over their useful life by using the straight-line method. Intangible assets with infinite useful life shall not be amortised.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of the period, and makes adjustments if necessary. By the judgment on the basis of the information available, only the intangible assets with

any conclusive evidence indicating that the useful life could not be estimated reliably could be recognised as intangible assets with indefinite useful life. The useful life of an intangible asset that is not being amortised shall be reviewed at the end of the period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is evidence that the term of the intangible asset generating economic benefits to the Company is foreseeable, the useful life would be estimated and amortised over its useful life according to the amortisation policy.

(2) Internal research and development expenditure

Internal research and development expenditures of the Company are classified as research expenditures and development expenditures.

Expenditure during the research phase is recognised in profit or loss in the period in which it is incurred.

Development expenditures may qualify for recognition as intangible assets provided that all of the following criteria are met. Expenditure on the development phase which does not meet the following criteria is recognised in profit or loss when incurred:

- 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) its intention to complete the intangible asset and use or sell it;
- 3) it can be demonstrated that the asset will generate probable future economic benefits;
- 4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- 5) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase.

If the expenditures cannot be distinguished between the research phase and development phase, the Company recognises all of them in profit or loss for the period.

21. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that fixed assets, construction in progress, intangible assets with finite useful life, investment properties measured at cost model, long-term equity investments and non-current non-financial assets may be impaired. If there is any indication that such assets may be impaired, the recoverable amount is estimated. Goodwill, intangible assets with infinite life and those not ready for intended use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its book value. 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 fair value of assets shall be determined by the price in the sales agreement in fair transactions. If there is an active market in the asset and does not have any sales agreement, the fair value should be what market participants might pay. If there is no active market in the assets and does not have any sales agreement, the fair value of assets is estimated based on the best available information. The costs of disposal include legal expenses, relevant taxes, truckage and direct expenses incurred for placing the assets to the status for sales. The present value of estimated future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate discount rate. The provision for asset impairment is calculated and recognised on the basis of individual assets. When it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that generates cash inflows independently.

Goodwill, separately listed in financial statements, is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination

for the purpose of impairment testing. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups including goodwill are less than its book value. The impairment loss is first allocated to reduce the book value of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group on the pro-rata basis of the book value of each asset other than goodwill in the group.

Once an impairment loss on assets mentioned above is recognised, it is not reversed in a subsequent period.

22. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods together of more than one year. Long-term prepaid expenses are recorded at the actual expenditures and amortised using the straight-line method of the expected periods in which benefits are derived.

If certain long-term prepaid expense item cannot benefit the Company in subsequent accounting period, its remaining amortised amount should be recognised in profit or loss for the current period.

23. Employee benefits

(1) Accounting methods for short-term employee benefits

Short-term employee benefits are employee benefits other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include employee salary, bonus, allowance and subsidy, employee welfare, medical insurance, industrial injury insurance, maternity insurance and other social security contributions, housing fund, labour union fund and employee education fund, short-term compensated absences, short-term profit-sharing plan, non-monetary

benefits and other short-term benefits.

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognised as liabilities and included into the current profit or loss or the assets-related cost.

(2) Accounting methods for post-employment benefits

Post-employment benefits are mainly included in defined contribution plan.

Post-employment benefits shall refer to the agreement with employees after the completion of employment, or the regulations or methods prepared by the Company for the post-employment benefits provided to employees. Defined contribution plans are the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Employees of the Company participated in a defined contribution pension insurance in the social insurance system established and managed by government organisations. In an accounting period in which an employee has rendered service to the Company, the Company recognises the contributions payable as a liability, and the related expenditures are either included in the cost of related assets or charged to profit or loss in the period when they are incurred.

(3) Accounting methods for termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the expiration of the labor contract or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

When the Company provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding expense in

profit or loss at the earlier of the following dates: 1) when the Company cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and 2) when the Company recognises costs or expenses related to restructuring that involves the payment of termination benefits.

(4) Accounting methods for other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, long-term disability benefits and long-term profit-sharing, etc.

Other long-term employee benefits provided by the Company to employees shall be accounted according to above provisions in defined contribution plan if such benefits could meet the conditions of defined contribution plan. Besides, the Company shall recognise and measure the net liabilities or net assets of other long-term employee benefits in accordance with relative provisions about on defined benefit plan. At the end of the reporting period, the employee remuneration cost arising from other long-term employee benefits shall be recognised as follow:

- 1) service cost;
- 2) net interest on the other long-term employee benefits liability or asset;
- 3) changes arising from remeasurements of the other long-term employee benefits liability or asset.

The net total of above amounts should be recognised in profit or loss for the period or in the cost of an asset.

24. Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of the lease, the Company recognises and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of

lease payments, the Company uses the incremental borrowing rate as the discount rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to the payments made by the Company to the lessor for the lessee's right to use the leased asset over the lease term and include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Company;
- payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate;
- amounts expected to be paid under residual value guarantees.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date of the lease. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss or the cost of underlying assets in the period in which they occur.

After the commencement date of the lease, interest expenses on the lease liabilities in each period during the lease term are recognised by the Company by using the fixed periodic rate of interest, and recognises in the profit and loss of the period or the cost of related assets.

After the commencement date of the lease, the Company shall remeasures lease liabilities and makes a corresponding adjustment to the related right-of-use assets under any of the following circumstances. If the book value of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognise any remaining amount of the remeasurement in profit or loss for the period:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value or a change in an index or a rate used to determine those payments, in which cases the related lease liabilities is remeasured by discounting the revised lease payments using the initial discount rate. If the change of lease payment is due to the change of floating interest rate, the revised discount rate shall be used to calculate the present value.

25. Provisions

Provisions for warranties, restructuring, onerous contracts etc are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

26. Revenue

(i) Guofeng Group and other unlisted subsidiaries implemented the Original Standards for Revenue before 31 December 2020

- (1) The following recognition criteria must be met when revenue from sale of goods is recognised:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) the amount of revenue can be measured reliably;
- 4) it is probable that the associated economic benefits will flow to the Company;
- 5) the relevant cost incurred or to be incurred can be measured reliably.

The specific methods for the recognition of the Company's revenue from sale of goods:

The Company sells products with the sale model of the supply chain such as coal, steel, non-ferrous metals, etc; revenue is recognised at a point in time when the settlement sheet confirmed by both parties issued. If the contract stipulates clearly that the time point of risk transfer of goods is the buyer's pick-up, revenue is recognised when the buyer's bill of lading issued.

(2) Revenue from rendering of services

When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The outcome of the transaction involving the rendering of services can be measured reliably, which means that the following conditions are met:

- 1) the amount of revenue can be measured reliably;
- 2) it is probable that the associated economic benefits will flow to the Company;
- 3) the stage of completion of the transaction can be determined reliably;
- 4) the associated costs incurred or to be incurred can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, the treatment is accounted for according to

the following circumstances, respectively:

- 1) when it is probable that the services rendered will be compensated, revenue shall be recognised according to the amount of the labor costs incurred; and the cost shall be carried forward at the same amount;
- 2) when it is not probable that the services rendered will be compensated, revenue is not recognised, and the costs incurred are recognised as expenses for the period.

(3) Revenue both from sale of goods and rendering of services:

When the contract or agreement signed between the Company and other enterprises includes the sale of goods and rendering of service, the treatment is accounted for according to the following circumstances, respectively: if the part of goods sold and the part of services provided can be distinguished and measured separately, the part of services provided shall be treated as the rendering of services. If the part of goods sold and the part of services provided is not distinct, or if they can be distinguished but cannot be measured separately, the part of sale of goods and the part of services provided shall be treated as sale of goods.

(4) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance sheet date, contract revenue and contract costs shall be recognised at the percentage-of-completion method.

The outcome of a construction contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) the amount of contract revenue can be measured reliably;
- 2) it is probable that the contract associated economic benefits will flow to the Company;
- 3) the actual contract costs incurred can be distinguished clearly and measured

reliably;

- 4) the stage of contract completion and costs to be incurred to complete the contract can be determined reliably.

The outcome of a cost plus contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) it is probable that the contract associated economic benefits will flow to the Company;
- 2) the actual contract costs incurred can be distinguished clearly and measured reliably.

The Company adopts the proportion of the accumulated actual contract cost incurred in the total estimated contract cost, and the proportion of the completed contract workload in the total estimated contract workload to determine the stage of completion of a contract.

If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are expected to be recoverable, and contract costs should be expensed as incurred. Instead, contract revenue should not be recognised and contract costs should be expensed as incurred immediately.

(ii) Domestic listed subsidiaries implemented the New Standards for Revenue from 1 January 2020, Guofeng Group and other unlisted subsidiaries implemented the New Standards for Revenue from 1 January 2021

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

The Company has fulfilled the performance obligation in the contract, namely, when the customer obtains control over relevant goods or services, the revenue is recognised

according to the transaction price apportioned to the performance obligation. Performance obligations refer to commitment of the Company to transfer a distinct good or service to the customer. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

For performance obligations satisfied during a period of time, the Company shall recognise revenue according to progress of performance within such period. It is a performance obligation satisfied during a period of time if one of the following conditions is met: (a) the customer obtains and consumes economic benefits at the same time of the Company performance; (b) the customer is able to control goods or services in progress during the Company's performance; (c) goods or services generated during the Company's performance have irreplaceable utilisation, and the Company is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Company shall recognise revenue at the point in time when the customer obtains control over relative goods or services.

For performance obligation satisfied during a period of time, the Company determines progress of performance using input method, namely, determines the progress of performance based on the proportion of the accumulative actual cost accounting for the expected total cost. When the progress of performance cannot be reasonably determined, the costs incurred are expected to be compensated, the Company recognises revenue based on the amount of costs incurred till the progress of performance can be reasonably determined.

If there are two or more of performance obligations included in the contract, at the contract inception, the Company allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is

conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Company shall allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Company estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Company has made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Company will make accounting treatment for quality warranty liability in accordance with *the Accounting Standard for Business Enterprises No.13 – Contingencies*.

In case of the existence of a significant financing component in the contract, the Company shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortised using effective interest method during the contract life. At contract inception, if the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Company would not consider the significant component in the contract.

To determine whether the Company is a principal or an agent, the Company identifies the specified goods or services to be provided to the customer, and assesses whether it controls those goods or services before they are transferred to the customer. If the Company can control those goods or services before they are transferred to the customer, the Company is a principal, recognising revenue at the total consideration received or

receivable; otherwise, the Company is an agent, recognising revenue at the amount of commissions or service charges expected to be entitled to collection, such amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other related parties, or on established amounts or proportions of commissions.

If the customer paid for the goods or services in advance, the Company shall recognise the amount as liabilities firstly, and then would be recognised as revenue when relevant performance obligations are fulfilled.

27. Contract costs

Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other accounting standards for business enterprises other than the revenue standards satisfies the following conditions at the same time, the costs will be recognised as an asset: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered. Above assets shall be amortised on the same basis as the revenue recognition of goods or services associated with the asset, and recognised in profit and loss for the period.

28. Government grants

Government grants are a transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government to the Company as an investor. Government grants are divided into grants related to assets and grants related to assets income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably

determinable, it is measured at a nominal amount. A Government grant measured at a nominal amount shall be recognised directly in profit or loss in the period.

(1) Specific standards for distinguishing government grants related to assets and government grants related to income:

The Company defines that government grants related to assets are grants whose primary condition is that the Company qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

For a government grant that include both the asset-related portion and the income-related portion, the Company shall distinguish different portions for accounting treatment; if it is difficult to distinguish, it shall be classified as income-related a government grant as a whole.

(2) Recognition and measurement of government grants related to assets:

A government grant related to assets shall offset the book value of relevant assets or be recognised as deferred income

A government grant related to assets is recognised as deferred income according to the total amount method, and evenly amortised to profit or loss on a rational and systematic basis over the useful life of the related asset. Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

(3) Recognition and measurement of government grants related to income:

For the government grants related to income, the accounting treatment of the Company is accounted for as follows:

- 1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss over the periods in which the related costs are recognised;
 - 2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the period.
- (4) Government grants received by the Company related to routine activities are recognised in other income according to the economic nature of business; whereas government grants received by the Company other than those related to routine activities are recognised in non-operating income.

Where a recognised government grant need to be returned, the Company shall conduct accounting treatment in accordance with the following provisions in the period of return:

- 1) if the book value of relevant assets is offset at initial recognition, the book value of assets shall be adjusted;
- 2) if there are relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess shall be included in the profit and loss for the period;
- 3) in other cases, it shall be recognised directly in the profit and loss for the period.

(5) Timing of recognition of various government grants involved in the Company

The Company usually recognises and measures the actual amount of government grants when it is actually received. However, a government grant shall be measured at the amount receivable at the end of accounting period when there is conclusive evidence conclusive evidence that the conditions attaching to the grant have been or will be fulfilled and that the grant will be received. Government grants measured at amount receivable shall fulfill the following conditions at the same time: 1) The amount receivable of the grant shall have been confirmed by a document issued by the authorised government department, or it may be reasonably measured according to the relevant provisions of the officially announced fiscal fund management method, and it

is expected that there is no significant uncertainty in the amount; 2) It is based on the financial support projects that have been officially released by the local financial department and that are voluntarily disclosed in accordance with the regulations of the “Government Information Disclosure Regulations”, and the administrative measures for financial funds. The management measures should be inclusive (any enterprise that meets the specified conditions can apply), but not specifically for a specific enterprise; 3) The approval documents of relevant grants have clearly promised the appropriation period, and the appropriation of the funds is guaranteed by the corresponding financial budget, thus it can be reasonably guaranteed that it can be received within the specified period; 4) Other relevant conditions that should be satisfied according to the specific conditions of the Company and the grant.

29. Deferred income tax assets/deferred income tax liabilities

Income tax expenses include current income tax and deferred income tax.

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(2) Deferred tax assets and deferred tax liabilities

For temporary differences between the book values of certain assets or liabilities and their tax base, or between the book value of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can

be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction not a business combination that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced

if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Offsetting income tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

30. Leases

(i) Guofeng Group and its subsidiaries implemented the Original Standards for Leases before 31 December 2020

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases other than finance leases are classified as operating leases.

(1) The Company as a lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of the related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the

period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

(2) The Company as a lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

(3) The Company as a lessee under finance leases

At the commencement date of the lease, the Company shall recognise the book-entry value of the leased assets at the lower of their fair value and the present value of the minimum lease payments, that of long-term payables at the minimum lease payments and the unrecognised financing costs at the difference between the book-entry value of the leased assets and that of the long-term payables. In addition, the initial direct costs that can be attributed to the leased item in the process of lease negotiation and signing the lease contract are also included in the value of the leased assets.

The Company adopts the effective interest rate method to amortise the unrecognised financing expenses over the lease term of the assets. Contingent rents are charged to profit or loss in the period in which they actually arise. The balance of the minimum lease payment after deducting the unrecognised financing expenses is stated as “long-term liabilities” and “long-term liabilities due within one year”.

(4) The Company as a lessor under finance leases

At the commencement date of the lease, the aggregation of the minimum lease payment receivable from the lessee and initial direct costs is recognised as a receivable under

finance leases, the unguaranteed residual value shall be recorded meanwhile. The difference between the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs and the present value is recognised as unearned finance income.

The unearned finance income shall be recognised as finance income with effective interest rate method over the term of the lease. Contingent rents are recorded into profit or loss of the period in which they actually arise.

The balance of lease payments receivable after deducting the unearned finance income is stated as “long-term receivables” and “long-term receivables due within one year”.

(ii) Guofeng Group and its subsidiaries implemented the New Standards for Leases from 1 January 2021

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified asset for a period of time in exchange for consideration. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period, the Company evaluates whether the customer in the contract has the right to obtain almost all the economic benefits arising from the use of the identified assets during the use period, and has the right to dominate the use of the identified assets during the use period.

If the contract contains multiple separate leases meanwhile, the Company shall split the contract and conduct accounting treatment for each separate lease. If the following conditions are met at the same time, the right to use the identified assets constitutes a separate lease in the contract:

- 1) The lessee may benefit from using the asset alone or using it with other resources that are readily available;
- 2) The asset is not highly dependent or highly correlated with other assets in the contract.

For a contract that contains both lease components and non-lease components, the Company, as the lessor and lessee, shall divide the lease and non-lease components into accounting treatment.

(1) As the lessee

The categories of leased assets of the Company mainly include buildings, transportation vehicles, land use right and others.

a) Initial measurement

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Company recognises its right to use the leased asset within the lease term as the right-of-use assets, and recognises the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Company uses the interest rate implicit in the lease; if that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lease term is the non-cancellable period for which the Company has the right to use the right-of-use asset. The Company has an option to extend the lease, that is, the right to renew the asset and, where it is reasonably certain that the option would be exercised, the lease term also includes the period covered by an option to extend the lease. The Company has an option to terminate the lease, that is, the right to terminate the lease of the asset if it is reasonably certain that the option would not be exercised, the term of the lease includes the period covered by the termination option. The Company shall reassess whether it is reasonably certain to exercise an extension option, to buy the option or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise the corresponding option.

b) Subsequent measurement

The Company adopts the straight-line method to depreciate the right-of-use assets. Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. If it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, the Company shall depreciate right-of-use assets on a straight-line basis over the shorter of its estimated useful life and the lease term.

Interest expenses on the lease liabilities in each period during the lease term are recognised by the Company by using the fixed periodic rate of interest, and recognises in the profit and loss of the period.

Variable lease payments not included in the measurement of lease liabilities are included in profit and loss for the period when actually incurred.

After the commencement date of the lease, the Company shall apply the present value of the changed lease payments to remeasure the lease liability and make an adjustment to the book value of right-of-use asset accordingly when the actual fixed payment amount changes, the expected payable amount of the guaranteed residual value changes, the index or ratio used to determine the lease payment amount changes, the evaluation results or actual exercise of the purchase option, renewal option or termination option change. If the book value of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company shall recognise any remaining amount of the remeasurement in profit or loss.

c) Lease modifications

Lease modification refers to the change of lease scope, lease consideration and lease term beyond the terms of the original contract, including increasing or terminating the use right of one or more leased assets, extending or shortening the lease term specified in the contract, etc.

The Company accounts for a lease modification as a separate lease if there is a lease

modification and both of the following apply:

- 1) the modification increases the scope of the lease by adding the right to use one or more underlying assets;
- 2) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. In calculating the present value of lease payments after the modification, the Company uses the interest rate implicit during the remaining lease period as the discount rate; if the interest rate implicit of the lease for the remaining lease period cannot be determined, the lessee shall use the lessee's incremental borrowing rate on the effective date of the lease modification.

With regard to the impact of the above adjustment of lease liabilities, the Company makes accounting treatment according to the following circumstances:

- 1) If the lease scope is reduced or the lease term is shortened due to the lease modifications, the Company shall reduce the book value of the right-of-use assets to reflect the partial or full termination of the lease. The Company shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.
- 2) For all other lease modifications, the Company shall make a corresponding adjustment to the book value of the right-of-use asset.

d) Short-term leases and leases of low-value assets

A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option; a lease of low value asset refers to a single lease asset, when new, is of low value. If the Company sublets or expects to

sublet the leased assets, the original lease is not recognised as a low value asset lease. For short-term leases and leases of low-value assets to which the recognition exemption is applied by the Company, right-of-use assets and lease liabilities are not recognised. Lease payments on short-term leases and leases of low-value assets are recognised in the cost of underlying assets or profit or loss for on a straight-line basis over the lease term. Contingent rents are charged to profit or loss as incurred.

(2) As the lessor

On the start date of the lease, financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Operating lease refers to the leases other than financial leases.

a) Operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. The initial direct costs incurred relating to the operating lease are capitalised when they are incurred, and are allocated over the lease term on the same basis of recognition of rental income, and are included in profit or loss. The variable lease payments obtained by the Company from operating lease but not included in the lease receivables are included in profit or loss when they are incurred.

b) Finance lease

At the commencement date of the lease term, the Company shall recognise the finance lease receivables and terminates the recognition of finance lease assets. When the Company makes initial measurement of the financial lease receivables, the net investment in the lease is used as the entry value of the financial lease receivables. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received from the commencement date of the lease term, discounted at the implicit interest rate in the lease.

The Company presents the financial lease receivables as long-term receivables, and the

financial lease receivables received within one year (including one year) from the balance sheet date are presented as non-current assets due within one year.

31. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Guofeng Group and other unlisted subsidiaries implemented the New Standards for Financial Instruments and the New Standards for Revenue from 1 January 2021. Due to the implementation of the New Standards for Revenue, the amount of the impact of the relevant adjustment on total equity attributable to equity holders of the Company in the consolidated financial statements on 1 January 2021 is RMB 0, and the amount of the impact on the minority shareholders' equity is RMB 0. The amount of the impact of relevant adjustments on the shareholders' equity in the financial statements of the parent on 1 January 2021 is RMB 0.

The MOF promulgated *the revised accounting standards for Business Enterprises No. 21 - Leasing* (hereinafter referred to the "New Standard for Leases") in 2018. The Company adopted the New Standard for Leases from 1 January 2021 and adjusted the relevant contents of accounting policies. Due to the implementation of the New Standard for Leases, the amount of the impact of the relevant adjustment on total equity attributable to equity holders of the Company in the consolidated financial statements on 1 January 2021 is RMB -145,844.12, and the amount of the impact on the minority shareholders' equity is RMB -477,541.25. The amount of the impact of relevant adjustments on the shareholders' equity in the financial statements of the parent on 1 January 2021 is RMB 0.

(2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.

IV. TAXATION

1. Major categories of taxes and tax rates

(1) Guofeng Group

Category of tax	Basis of tax computation	Tax rate
Value-added tax (VAT)	Sales excluding tax	13%, 6%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%

(2) Wanhua Chemical

Category of tax	Basis of tax computation	Tax rate	
		Domestic	Hungary
Value-added tax (Note 1)	The amount of output tax after deduction of input tax	The output tax of Wanhua Chemical's subsidiaries, Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. (hereinafter referred to as "Wanhua Thermal Power") and Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd. are calculated at 9% of the steam sales, and the output tax of Wanhua Chemical (Ningbo) Port Co., Ltd. is calculated at 6% of the port service revenue. Except aforementioned companies, other output tax of Wanhua Chemical's subsidiaries is calculated at 13% of the sales according to the relevant provisions of tax laws, generally.	27%
Business tax	Balances of sales income deducting material costs and expenses related to sales	N/A	2%
Urban maintenance and construction tax	Turnover tax payable	5%-7%	N/A

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Innovation contribution tax	Balances of sales income deducting material costs and expenses related to sales	N/A	0.3%
Property tax	The market price of land and property	N/A	The land use tax is approximately 3% of the market price of lands (the maximum price is approximately EUR 1.2/square meter). The property tax is approximately 3.6% of the market price of buildings (the maximum price is approximately EUR 6/square meter), which are adjusted annually in accordance with parameters such as CPI.
Environmental protection tax	Discharging weight and volume of waste water, exhaust gas and wastes, traders of energy power, etc.	The range of tax amount of taxable air pollutants is RMB 1.2 to RMB 12 per pollution equivalent and the range of tax amount of water pollutants is RMB 1.4 to RMB 14 per pollution equivalent.	Gas emission of nitrogen oxide: about EUR 0.4 per kg; Discharge of chemical organic waste water: EUR 0.3 per kg based on organic contents; Taxes of wastes landfill: about EUR 0.4 per kg; Power: HUF 310.5 per 1000 kilowatt hour (about EUR 1); Natural gas: HUF 303.8 per 1000 kilowatt hour (about EUR 1); Coal: HUF 2,516 per ton (about EUR 8, etc).
House property tax	It is calculated and paid at the actual tax rate	The property held by the Company is for business use and is taxed at 1.2% of the original value of the property after a one-time deduction of 30%; the rental property is taxed on the basis of rental	N/A

		income and the applicable tax rate is 12%.	
Enterprise income tax	Taxable income	Note 2	

Note 1: VAT of Wanhua Chemical mainly levied in China, Hungary and Singapore. The applicable VAT rate in Singapore is 7%.

Note 2: The enterprise income tax rates of Wanhua Chemical and its domestic and overseas subsidiaries are disclosed as follows:

Subject of tax payment	Income tax rates (%)
Wanhua Chemical	15
Wanhua Chemical (Yantai) Petrochemical Co., Ltd.	25
Wanhua Chemical Group Material Co., Ltd.	25
Yantai Wanhua Chemical Design Institute Co., Ltd.	25
Wanhua Chemical Group Petrochemical Sales Co., Ltd.	25
Wanhua Chemical (Yantai) Seawater Desalination Treatment Co., Ltd.	25
Wanhua Chemical Group Energy Co., Ltd.	25
Wanhua Chemical Group Environmental Protection Technology Co., Ltd.	15
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	25
Yantai Xinghua Energy Co., Ltd.	25
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd.	25
Wanhua Chemical (Ningbo) Co., Ltd.	15
Wanhua Chemical (Ningbo) Port Co., Ltd.	25
Wanhua Chemical (Ningbo) Trading Co., Ltd.	25
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd.	15
Wanhua Chemical (Guangdong) Co., Ltd.	15
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	25
Zhuhai Wanhua Real Estate Development Co., Ltd.	25

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Subject of tax payment	Income tax rates (%)
Wanhua Chemical (Sichuan) Co., Ltd.	25
Wanhua Chemical (Beijing) Co., Ltd.	15
Beijing Juliwei Technology Co., Ltd.	25
Shanghai Wanhua Industrial Development Co., Ltd.	25
Wanhua Chemical (Hong Kong) Co., Ltd.	16.5
Wanhua Chemical (America) Co., Ltd.	21
Wanhua Chemical US Holding Inc.	21
Wanhua North America Service Co., Ltd.	21
Wanhua Chemical US Production LLC	21
Wanhua Shipping (Singapore) Co., Ltd.	17
Wanhua Chemical International Pte. Ltd.	17
Wanhua Chemical (Japan) Co., Ltd.	23.2
Wanhua International (India) Private Limited.	25.17
Wanhua Chemical (Hungary) Holding Co., Ltd.	9
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	25
Yantai Recycled Water Co., Ltd.	25
Wanhua Chemical (Yantai) Selling Co., Ltd.	25
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	25
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	25
Ningbo Xinda Mingzhou Trading Co., Ltd.	25
Wanhua Chemical (Singapore) Co., Ltd.	17
Whilsun Trading Pte. Ltd.	17
Wanhua Chemical (Korea) Co., Ltd.	20
Chematur Technologies AB	20.6
Chematur Engineering AB	20.6
Yantai Xinyuan Investment Co., Ltd.	25
Yantai Xinyi Investment Co., Ltd.	25

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Subject of tax payment	Income tax rates (%)
Yantai Chenfeng Investment Co., Ltd.	20
BC Chlor-Alkali Ltd.	9
Borsod Chenfeng Chemical Kft.	9
Sino-Hungarian Borsod Economic Cooperation Area Development Company Ltd.	9
Wanhua International Resources Co., Ltd.	16.5
Wanhua International Holding Co., Ltd.	16.5
Mount Tai Chemical Holding Company S.á.r.l.	24.94
BorsodChem Zrt.	9
BorsodChem (Yantai) Co., Ltd.	25
BorsodChem MCHZ,s.r.o.	19
BorsodChem Italia S.r.l.	27.9
BC-KC Formalin Kft.	9
BC-Energiakereskedő Kft.	40
BC ErőműKft.	40
BC-Therm Kft.	9
Wanhua BorsodChem Latin-America Comercio de Productos Químicos Ltda.	34
Polimer Szolgáltató Kft.	9
BC Power Energiatermelő II Kft.	40
Wanhua BorsodChem Rus LLC.	20
Wanhua Chemical (Fujian) Co., Ltd.	25
Wanhua Chemical (Fujian) Isocyanate Co., Ltd.	25
Wanhua Chemical (Fujian) New Material Co., Ltd.	25
Wanhua Chemical (Fujian) International Trade Co., Ltd.	25
Wanhua Chemical (Sichuan) Selling Co., Ltd.	25
Wanhua Chemical Group Electronic Materials Co., Ltd.	25
Wanhua Chemical Mexico Co., Ltd.	30

Subject of tax payment	Income tax rates (%)
Wanhua Chemical (Fujian) Wharf Co., Ltd.	25
Fujian Fuhua Tianchen Gas Co., Ltd.	25
Wanhua Chemical Group Equipment Operation and Maintenance Management Co., Ltd.	25

(3) Tayho Advanced Materials

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenues	13%, 9%, 6%, 5%, 3%
House property tax	70% of the original value of the property / rental income	1.2%/12%
Land use tax	The actual land use area occupied	RMB 2-13 /m ²
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharges	Turnover tax payable	3%, 1.5%
Local educational surcharges	Turnover tax payable	2%, 1%
Water resources tax	Actual water consumption	RMB 0.4/ m ³
Enterprise income tax	Taxable income	Note

Note: The enterprise income tax rates of Tayho Advanced Materials and its subsidiaries are disclosed as follows:

Subject of tax payment	Income tax rates (%)
Yantai Tayho Advanced Materials Co., Ltd.	15
Yantai MetaStar Special Paper Co., Ltd.	15
Yantai Yuxing Paper Products Co., Ltd.	20
Shandong Guangrui Testing Technology Service Co., Ltd.	20
Yantai Jingwei Intelligent Technology Co., Ltd.	20
Yantai Tayho Advanced Material Sales Co., Ltd.	25
Yantai Xinghua Spandex Co., Ltd.	25
Yantai Yuxiang Fine Chemical Co., Ltd.	25

Subject of tax payment	Income tax rates (%)
Yantai Niushida Spandex Co., Ltd.	25
Yantai Taipulong Advanced Manufacturing Technology Co., Ltd.	15
Yantai Tayho Fashion Technology Co., Ltd.	20
Yantai Taixiang Property Management Co., Ltd.	20
Ningxia Ningdong Tayho Advanced Materials Co., Ltd.	15
Ningxia Tayho Aramid Co., Ltd.	15
Ningxia Taipulong Advanced Manufacturing Technology Co., Ltd.	15

(4) Yantai Moon Holding Co., Ltd.

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Output tax less deductible input tax	20%, 14%, 13%, 10%, 9%, 6%, etc. (Note 1)
Urban maintenance and construction tax	Actual payment of VAT	1%, 5%, 7%
Educational surcharges	Actual payment of VAT	3%
Local educational surcharges	Actual payment of VAT	2%
Sales tax	Sales revenue	(Note 2)
Enterprise income tax	Taxable income	(Note 3)

Note 1: The output tax of Moon Environment, a subsidiary of Yantai Moon Holding Co., Ltd. (hereinafter referred to as "Moon Holding Company"), and its domestic subsidiaries is calculated at the tax rates of 13%, 9% and 6% according to the domestic tax law, and the engineering project is levied at the tax rate of 9%; The policy of simple levy of 5% is implemented for rent income, the technical service income is levied at the rate of 6%, and the interest income of entrusted loan is levied at the rate of 6%; Dunham-Bush International (Africa) (Pty) Limited, a South African subsidiary of Moon Environment, is charged output tax at the rate of 14% in accordance with South African tax laws; the output tax of Dunham-Bush Limited, a British subsidiary of Moon

Environment, is calculated at the tax rate of 20% in accordance with the British tax law; the output tax of Dunham-Bush Vietnam Co., Ltd., a Vietnam subsidiary of Moon Environment, is calculated at the rate of 10% in accordance with the tax law of Vietnam.

Note 2: Dunham-Bush sales & services Sdn. Bhd and Dunham-Bush industries Sdn. Bhd, the Malaysian subsidiaries of Moon Environment, pay sales tax at the rate of 10% according to the Malaysian tax law.

Note 3: The enterprise income tax rates of Moon Holding Company and its domestic and overseas subsidiaries are shown in the table below:

Subject of tax payment	Income tax rate (%)
Moon Holding Company	25
Moon Environment	15
Yantai Moon Foundry Co., Ltd.	25
Yantai Moon Intelligent Machinery Technology Co., Ltd.	25
Yantai Moon Engineering Technology Co., Ltd.	25
Yantai Moon Compressor Co., Ltd.	25
Yantai Moon (Vietnam) Co., Ltd.	20
Yantai Moon Refrigeration and Air Conditioning Energy Saving Service Co., Ltd.	25
Yantai Moon Energy Saving Technology Co., Ltd.	15
Yantai Caiyue Light Alloy Technology Co., Ltd.	25
Yantai Moon Environmental Protection Technology Co., Ltd.	25
Moon Intelligent New Energy Technology (Shandong) Co., Ltd.	25
Shandong Moon Hydrogen Energy Technology Research Institute	25
Shandong Lushang Moon Architecture Design Co., Ltd.	15
Beijing Huayuan taimeng Energy-saving Equipment Co., Ltd.	15
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	15
Yantai Moon Heat Exchange Technology Co., Ltd.	25

Subject of tax payment	Income tax rate (%)
Yantai Moon Pressure Vessel Co., Ltd.	25
Yantai Moon Medicine Equipment Co., Ltd.	25
Yantai Moon Intelligent Freeze-Drying Technology Co., Ltd.	25
Yantai Dunham-Bush Compressor Co., Ltd.	25
Yantai Moon Group (Hong Kong) Co., Ltd.	16.5
Dunham-Bush (China) Industry Co., Ltd.	15
Dunham-Bush (Yantai) Energy Technology Co., Ltd.	25
Dunham-Bush Industries Sdn. Bhd	24
Dunham-Bush Sales&Services Sdn. Bhd	24
Dunham-Bush International Pte Ltd	17
Dunham-Bush Sales&Service(s) Pte Ltd	17
Dunham-Bush International (Africa) (Pty.) Limited	28
Dunham-Bush Limited	Extra progressive tax rate: 20-23.75
Dunham-Bush International (Cayman) Limited	0
Dunham-Bush Mena JLT	0
Dunham-Bush USA LLC	Extra progressive tax rate: 15-38
Dunham-Bush Vietnam Co., Ltd.	20
Dunham-Bush Holding Bhd	24
Dunham-Bush International (India) Private Limited	25
Pt. Yantai Moon Indonesia	25

(5) Wanhua Industrial Group Co., Ltd. (hereinafter referred to as “Wanhua Industry”)

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Revenue from sales of goods and taxable services	13%, 9%, 6%, 5%, 3%
Urban maintenance and construction tax	Turnover tax	7%

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Educational surcharges	Turnover tax	3%
Local educational surcharges	Turnover tax	2%
Enterprise income tax	Taxable income	25%
House property tax	70% of the original value of the self-used property is taken as the tax basis, and the applicable tax rate is 1.2%; Rental real estate is based on rental income, and the applicable tax rate is 12%.	

(6) Other subsidiaries

Category of tax	Basis of tax computation	Tax rate
Value-added tax	The output tax is calculated on the basis of the revenue from sales of goods and taxable services under the tax law. After deducting the input tax allowed to be deducted in the current period, the difference is the value-added tax payable.	13%, 10%, 9%, 5%, 3%
Urban maintenance and construction tax	Calculated and paid at the actual turnover tax paid	7%
Educational surcharges	Calculated and paid at the actual turnover tax paid	3%
Local educational surcharges	Calculated and paid at the actual turnover tax paid	2%
Enterprise income tax	Calculated and paid at the taxable income	25%, 20%, 15%

2. Tax preference

(1) Enterprise income tax

1) According to Guo Ke Huo Zi [2020] No.216 - "Reply on the Record of the First batch of High-tech Enterprises in Shandong Province in 2020", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical is qualified for the high and new technology enterprise (Certificate No.: GR202037000153) with effective period of three years. This is the re-identification of Wanhua Chemical after the expiration of the original high-tech enterprise certificate, and has been levied at a preferential tax rate of 15% from 1

January 2020 to 31 December 2022.

In accordance with the Article 1 of Announcement No.60 [2019] of the MOF, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment, the enterprise income tax on eligible third-party enterprises engaged in pollution prevention and control shall be levied at the reduced rate of 15%. Wanhua Chemical Group Environmental Protection Technology Co., Ltd., a subsidiary of Wanhua Chemical, met the relevant conditions.

According to the Announcement No.8 of the State Administration of Taxation of 2021, from 1 January 2021 to 31 December 2022, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million shall be included in the taxable income at a reduced rate of 12.5% and the enterprise income tax shall be paid at a tax rate of 20%. Yantai Chenfeng Investment Co., Ltd., a subsidiary of Wanhua Chemical, satisfies the criteria of small and low-profit enterprise and are entitle to the tax preference.

According to Guo Ke Huo Zi [2020] No.13 - "Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical (Ningbo) Co., Ltd., a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100594) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to Guo Ke Huo Zi [2020] No.13 - "Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd., a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100463) with an effective period of three years, and has been subject to the

favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to the “Notice on Publicizing the First Batch of 2018 Proposed High and New Technology Enterprises in Guangdong Province” issued by the Leading Team Office for Management of National High-tech Enterprise Determination, Wanhua Chemical (Guangdong) Co., Ltd. (hereinafter referred to as “Wanhua Guangdong”), a subsidiary of Wanhua Chemical, is qualified for the high and new technology enterprise with an effective period of three years (Certificate No.: GR201844001177), and has been subject to the favorable enterprise income tax rate from 1 January 2018 to 31 December 2020. Review of taxation for high-tech qualification of Wanhua Guangdong in 2021 is expected to be completed by the end of the year. According to article 1 of “the Notice of the State Administration of Taxation on Issues concerning the Implementation of Preferential Policies for Income Tax of High-tech Enterprises” (Notice of the State Administration of Taxation No.24, 2017), the enterprise income tax shall be paid in advance at the rate of 15% for the period of expiration of the qualification of high-tech enterprises before the re-identification.

According to Guo Ke Fa Huo [2021] No.37, - “Reply on the Record of the Third batch of High-tech Enterprises in Beijing in 2020” issued by Science and Technology Torch High Technology Industry Development Center, the subsidiary of Wanhua Chemical, Wanhua Chemical (Beijing) Co., Ltd. is qualified for the high and new technology enterprise (Certificate No.: GR202011004144) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2020 to 31 December 2022.

According to local tax laws in Singapore, the applicable tax rate of Wanhua Chemical (Singapore) Co., Ltd., a subsidiary of Wanhua Chemical, is 17%. It is entitled to enjoy favorable tax rate after meeting corresponding trade conditions as it is included in global trading enterprises supported by Singapore Global Trade Plan.

According to local tax laws of Korea, calculation method for excess progressive of

enterprise income tax is applied by Wanhua Chemical (Korea) Co., Ltd., a subsidiary of Wanhua Chemical, tax rate for the part of taxable income less than KRW 200 million is 10%; tax rate for the part of taxable income more than KRW 200 million but less than KRW 20 billion is 20%; tax rate for the part of taxable income more than KRW 20 billion is 22%.

Borsodchem Zrt., a subsidiary of Wanhua Chemical, satisfied criteria for newly added jobs and project investments required by the government of Hungary and European Union, so the Company is entitled to relevant tax credits of EUR 92,534,739 (equivalent to approximately RMB 711,240,511) (which is finally determined by the actual amount of project investments) to the maximum extent; after deducting the utilized part, there is still EUR 71,644,998 (equivalent to approximately RMB 550,677,784) of tax credits not used yet. Borsodchem Zrt. can choose to utilize the tax credits after completion of the project and before maturity of the tax credit period. 80% taxes payable for the year can be exempted to the maximum extent every year.

According to the local tax law of Luxembourg, in 2021, Mount Tai Chemical Holding Company S.à.r.l., a subsidiary of Wanhua chemical, the central income tax is 17% (plus surcharged unemployment tax of 7%), local income tax is 6.75%, and comprehensive income tax rate is 24.94%.

The government of Hungary additionally levied 31% enterprise income tax against companies engaged in energy transaction based on the legal tax rate, the actual income tax rate is 40%. BC energiakereskedő Kft., a subsidiary of Wanhua Chemical, is levied at above tax rate.

Chematur engineering AB, a subsidiary of Wanhua Chemical, is subject to the local tax law of Sweden, with a tax rate of 20.6%.

2) Tayho Advanced Materials obtains the certificate of high-tech enterprise in 2020 and enjoys the preferential enterprise income tax rate of 15% in 2021. Yantai Taipulong

Advanced Manufacturing Technology Co., Ltd. (hereinafter referred to as “Yantai Taipulong Company”) and Yantai MetaStar Special Paper Co., Ltd. (hereinafter referred to as “MetaStar Company”), subsidiaries of Tayho Advanced Materials, were recognised as high-tech enterprises in 2018 and have been levied at a preferential tax rate of 15% in the half year of 2021. Ningxia Ningdong Tayho Advanced Materials Co., Ltd. (hereinafter referred to as “Ningdong Tayho”), a subsidiary of Tayho Advanced Materials, obtained the certificate of high-tech enterprise in 2019 and has been levied at a preferential enterprise income tax rate of 15% in 2021.

According to Cai Shui [2018] No.76 - “Notice on Extending the Period of Carrying Forward Losses of High-tech Enterprises and Technology-based Small and Medium-sized Enterprises” issued by the MOF and the State Administration of Taxation, from 1 January 2018, the outstanding losses of the enterprises with the qualification of high-tech enterprises or technology-based small and medium-sized enterprises in the first five years of the qualification year are allowed to be carried forward to make up for the subsequent years. The longest period of carrying forward losses is extended from 5 years to 10 years.

According to 2020 No.23 the Notice of the MOF, the State Administration of Taxation and the National Development and Reform Commission on the Continuation of the Enterprise Income tax Policy for Western Development, from 1 January 2021 to 31 December 2030, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to Ning Zheng Fa (2012) No.97 – “The Preferential Policies for Investment Promotion and Investment Promotion in Ningxia Hui Autonomous Region (Revised)”, new industrial enterprises or new industrial projects belonging to the encouraged category enjoy preferential tax rates for western development. Besides, the local share of enterprise income tax would be exempted from the first year to the third year from the tax year of the first income; the local share of enterprise income tax would be reduced by half from the fourth to the sixth years. Ningdong Tayho, Ningxia

Tayho Aramid Co., Ltd. (hereinafter referred to as “Ningxia Tayho”) and Ningxia Taipulong Advanced Manufacturing Technology Co., Ltd. (hereinafter referred to as “Ningxia Taipulong”) meet the qualification of enterprises attracting investment and are encouraged industrial enterprises. The enterprise income tax rate is reduced to 15%, and the local share of enterprise income tax is exempted from the first year to the third year, and the local share part of enterprise income tax would be reduced by half from the fourth to the sixth year.

According to the Notice of the State Administration of Taxation No. 2 of 2019 “Announcement of the State Administration of Taxation on Issues Related to the Implementation of the Preferential Income Tax Reduction or Exemption Policy for Small and Low-Profit Enterprises”: from 1 January 2019 to 31 December 2021, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB 1 million but not exceeding RMB 3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%. Yantai Tayho Fashion Technology Co., Ltd. (hereinafter referred to as “Tayho Fashion Company”), Yantai Taixiang Property Management Co., Ltd. (hereinafter referred to as “Taixiang Company”), Yantai Yuxing Paper Products Co., Ltd. (hereinafter referred to as “Yuxing Company”), Shandong Guangrui Testing Technology Service Co., Ltd. (hereinafter referred to as “Guangrui Company”) and Yantai Jingwei Intelligent Technology Co., Ltd. (hereinafter referred to as “Jingwei Company”), subsidiaries of Tayho Advanced Materials, satisfy the criteria of small and low-profit enterprise and the applicable tax rate of enterprise income tax is 20%.

3) In August 2020, Moon Environment was approved by Shandong Provincial Department of Science and Technology and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The high-tech enterprise qualification certificate number is GR202037000189, which is valid from January 2020 to December 2022.

Shandong Lushang Moon Architecture Design Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in December 2016 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. It was reviewed and passed in November 2019, and the certificate number is GR201937001434, which is valid from January 2020 to December 2022.

Beijing Huayuan Taimeng Energy-Saving Equipment Co., Ltd. (hereinafter referred to as “Beijing Huayuan Taimeng Company”), a subsidiary of Moon Environment, was approved by Beijing Municipal Science and Technology Commission in July 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201811000514, which is valid from January 2018 to December 2020. As of the end of the reporting period, Beijing Huayuan Taimeng Company’s high-tech enterprise qualification is in the process of re-identification. Beijing Huayuan Taimeng Company believes that there is no significant uncertainty in obtaining the high-tech enterprise qualification certificate and filing with the competent tax authority. It has implemented the enterprise income tax rate of 15% in the reporting period.

Shandong Shenzhou Refrigeration Equipment Co., Ltd. (hereinafter referred to as “Shandong Shenzhou Company”), a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in November 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837001293, which is valid from January 2018 to December 2020. As of the end of the reporting period, Shandong Shenzhou Company’s high-tech enterprise qualification is in the process of re-identification. Shandong Shenzhou Company believes that there is no significant uncertainty in obtaining the high-tech enterprise qualification certificate and filing with the competent tax authority. It has implemented the enterprise income tax rate of 15% in the reporting period.

Dunham-Bush (China) Industry Co., Ltd. (hereinafter referred to as “Dunham-Bush Company”), a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in August 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837000346, which is valid from January 2018 to December 2020. As of the end of the reporting period, Dunham-Bush Company’s high-tech enterprise qualification is in the process of re-identification. Dunham-Bush Company believes that there is no significant uncertainty in obtaining the high-tech enterprise qualification certificate and filing with the competent tax authority. It has implemented the enterprise income tax rate of 15% in the reporting period.

Yantai Moon Energy Saving Technology Co., Ltd., a subsidiary of Moon Environment, was approved by Science and Technology Department of Shandong Province in December 2020 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR202037000467, which is valid from January 2020 to December 2022.

Yantai Moon Heat Exchange Technology Co., Ltd., a subsidiary of Moon Environment, was approved by Science and Technology Department of Shandong Province in August 2020 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR202037001064, which is valid from January 2020 to December 2022.

Yantai Moon Medicine Equipment Co., Ltd., a subsidiary of Moon Environment, was approved by Science and Technology Department of Shandong Province in December 2020 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR202037003034, which is valid from January 2020 to December 2022.

Yantai Moon Intelligent Machinery Technology Co., Ltd., a subsidiary of Moon

Environment, was approved by Science and Technology Department of Shandong Province in December 2020 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR202037004155, which is valid from January 2020 to December 2022.

Yantai Ishikawa Sealing Technology Co., Ltd., a subsidiary of Yantai Mingxiang Holdings Co., Ltd., continued to pass the high-tech enterprise identification in 2020 and obtained the high-tech enterprise certificate of GR202037000499. It enjoys the preferential income tax rate of 15% from 2020 to 2022.

(2) The other preferential tax benefits

According to the notice on issues related to urban land use tax of high-tech enterprises (Lu Cai Shui [2019] No.5) (valid until 26 January 2022): high-tech enterprises identified before 31 December 2018 shall pay urban land use tax at 50% of the current standard from 1 January 2019. Tayho Advanced Materials calculated and paid urban land use tax at 50% in 2021.

According to Ning Di Shui Fa [2015] No.102 “the notice of the Local Taxation Bureau of the Autonomous Region on the Implementation of Preferential Tax Policies for Accelerating the Opening up of Ningxia Construction”, for the newly established industries that are invested in Ningxia and are engaged in the development that is not restricted or encouraged by the state, the self-used urban land and self-used house property are entitled to the land use tax and house property tax preference of “3-year tax exemption followed by 3-year tax 50%-reduction”. Relevant tax deduction and exemption record registration have been processed in 2020, Ningxia Ningdong, Tayho Aramid Company and Ningxia Taipulong Company are applicable to the above provisions and the land use tax and house property tax of own-used part have been exempted in 2021.

According to the Notice of the MOF on Relevant Policies of Three Government Funds

such as Civil Aviation Development Fund (Cai Shui [2020] No. 72): “From 1 January 2021, Shandong Province would be exempted from local water conservancy construction funds, that is, for enterprises, institutions and self-employed operators who pay value-added tax and consumption tax within the administrative region of Shandong Province, the collection proportion of local water conservancy construction funds would be reduced from 1% of the original actual payment of value-added tax and consumption tax to 0.” Tayho Advanced Materials and its subsidiaries Yantai Xinghua Spandex Co., Ltd., Yantai Yuxiang Fine Chemical Co., Ltd., Tayho Fashion Company, Yantai Taipulong Company, Taixiang Company, Yuxing Company, Yantai Niushida Spandex Co., Ltd, MetaStar Company, Yantai Tayho Advanced Material Sales Co., Ltd., Jingwei Company and Guangrui Company are exempted from local water conservancy construction fund this period.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements disclosed below, unless otherwise stated, the end of the period (or closing) refers to 30 June 2021 and the beginning of the period (or opening) refers to 31 December 2020. The current period refers to 1 January 2021 to 30 June 2021 and the prior period is from 1 January 2020 to 30 June 2020. The financial statements are presented in RMB.

1. Cash and bank balances

Item	Closing balance	Opening balance
Cash on hand	2,068,165.46	1,442,493.59
Bank balances	37,838,383,253.59	26,311,191,502.02
Other currency funds	296,580,650.60	362,483,950.88
Total	38,137,032,069.65	26,675,117,946.49
Including: cash and bank balances deposited overseas	187,922,558.68	241,596,437.39

The restricted currency funds details are as follows:

Item	Closing balance	Opening balance
Deposits for issuing bank acceptance bills	177,898,163.84	164,691,545.52
Deposits for land reclamation	24,283,675.71	10,804,086.42
Deposits for letter of credit, LPG paper deposits and procurement deposits	70,609,259.72	136,696,938.84
Deposit for letter of guarantee	12,927,921.85	20,235,954.53
Deposits for product registration, tax authorities and railway authorities	7,640,082.80	12,019,113.08
The court freezes funds		30,000,000.00
Deposits for migrant workers' salary	2,668,498.16	2,664,455.54
Others		553,722.05
Total	296,027,602.08	377,665,815.98

2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	1,322,388,088.34	791,264,957.06
Including: Investment in debt instrument	1,384,735.35	782,927,082.39
Investment in equity instrument	371,172,691.00	8,337,874.67
Others	949,830,661.99	
Designated as financial assets at fair value through profit or loss		
Including: Investment in debt instrument		
Investment in equity instrument		
Others		
Total	1,322,388,088.34	791,264,957.06

3. Financial assets at fair value through profit or loss

Item	Closing balance	Opening balance
Financial assets held for trading		12,470,174.60

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Including: Investment in debt instrument		
Investment in equity instrument		2,567,174.60
Others		9,903,000.00
Designated as financial assets at fair value through profit or loss		1,733,100,000.00
Including: Investment in debt instrument		
Investment in equity instrument		
Others		1,733,100,000.00
Total		1,745,570,174.60

4. Derivative financial assets

Item	Closing balance	Opening balance
Multi-currency interest rate swap contract	5,226,616.00	1,621,050.00
Liquefied petroleum gas (LPG) OTC transaction contract		16,005,579.70
Natural gas swap contract	189,610,867.80	42,580,650.00
Foreign exchange swap contract		1,661,175.00
Total	194,837,483.80	61,868,454.70

5. Notes receivable

(1) Categories of notes receivable:

Category	Closing balance	Opening balance
Bank acceptance bills	594,158,956.75	570,316,553.48
Commercial acceptance bills	16,582,849.25	15,817,469.97
Total	610,741,806.00	586,134,023.45

(2) Notes receivables have been pledged by the Company at the end of the period:

Item	Pledged amount at the end of the period
Bank acceptance bills	104,143,452.88
Total	104,143,452.88

- (3) Notes receivable that have been endorsed or discounted on the balance sheet date but not overdue:

Item	Amount of derecognised at the end of the period	Amount of non-derecognised at the end of the period
Bank acceptance bills	175,649,169.39	34,171,180.88
Commercial acceptance bills		2,880,000.00
Total	175,649,169.39	37,051,180.88

- (4) At the end of the period, no notes receivables were transferred to accounts receivable by the Company due to the non-performance of the drawer.

6. Accounts receivable

- (1) Disclosed by aging

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	13,859,823,321.08	8,671,160,103.20
1 to 2 years	346,435,766.28	337,560,435.03
2 to 3 years	115,291,460.06	129,759,645.08
Over 3 years	196,528,228.15	220,004,561.44
Total	14,518,078,775.57	9,358,484,744.75

- (2) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	1,272,000,011.24	8.76	3,494,401.10	0.27	1,268,505,610.14
Provision for bad debt on a collective basis	13,246,078,764.33	91.24	970,803,279.37	7.33	12,275,275,484.96

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Including: Provision for bad debt is made based on aging	2,628,920,313.00	18.11	241,550,991.51	9.19	2,387,369,321.49
Provision for bad debt is made based on overdue aging	10,617,158,451.33	73.13	729,252,287.86	6.87	9,887,906,163.47
Total	14,518,078,775.57	100.00	974,297,680.47	6.71	13,543,781,095.10

(Continued)

Category	Opening balance				Book value
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	169,237,902.86	1.81	1,213,397.90	0.72	168,024,504.96
Provision for bad debt on a collective basis	9,189,246,841.89	98.19	736,577,416.61	8.02	8,452,669,425.28
Including: Provision for bad debt is made based on aging	2,381,625,053.25	25.45	237,989,801.53	9.99	2,143,635,251.72
Provision for bad debt is made based on overdue aging	6,807,621,788.64	72.74	498,587,615.08	7.32	6,309,034,173.56
Total	9,358,484,744.75	100.00	737,790,814.51	7.88	8,620,693,930.24

1) Provision for bad debt on an individual basis

Content of accounts receivable	Closing balance			
	Book balance	Provision for bad debt	Proportion of provision (%)	Reasons of provision
Company 1	183,562,838.20			Expected to be recovered fully
Company 2	157,423,841.09			Expected to be recovered fully
Company 3	135,387,273.60			Expected to be recovered fully

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Company 4	105,507,719.14			Expected to be recovered fully
Company 5	81,343,840.00			Expected to be recovered fully
Company 6	73,595,874.04			Expected to be recovered fully
Company 7	60,000,000.00			Expected to be recovered fully
Company 8	56,307,059.01			Expected to be recovered fully
Company 9	48,902,562.28			Expected to be recovered fully
Company 10	41,057,490.00			Expected to be recovered fully
Company 11	40,000,000.00			Expected to be uncollectible
Others	288,911,513.88	3,494,401.10	1.21	Expected to be recovered fully/uncollectible
Total	1,272,000,011.24	3,494,401.10	0.27	

2) Provision for bad debt on a collective basis

(a) Provision for bad debt is made based on aging:

Aging	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision (%)
Within 1 year	2,134,276,057.04	66,035,413.71	3.09
1 to 2 years	208,008,271.95	20,826,471.61	10.01
2 to 3 years	114,947,937.28	22,997,358.31	20.01
Over 3 years	171,688,046.73	131,691,747.88	76.70
Total	2,628,920,313.00	241,550,991.51	9.19

(b) Provision for bad debt is made based on overdue aging:

Aging	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision (%)

Not overdue	9,691,616,412.04	450,526,592.91	4.65
Overdue 1-30 days	619,347,020.87	118,089,132.74	19.07
Overdue 31-60 days	185,367,266.12	58,370,476.17	31.49
Overdue 61-90 days	50,118,526.58	31,556,860.32	62.96
Overdue over 91 days (inclusive)	70,709,225.72	70,709,225.72	100.00
Total	10,617,158,451.33	729,252,287.86	6.87

(3) Top five accounts receivable in terms of the closing balance collected by debtors

For period ended 30 June 2021, the top five accounts receivable in terms of the closing balance collected by debtors hold the balance of RMB 1,039,603,154.43, which accounts for 7.16% of total amount receivable balance.

(4) There were no accounts receivable derecognised due to the transfer of financial assets in the period.

(5) There were no transfer of accounts receivable and the amount of assets and liabilities arising from continuing involvement in the period.

7. Receivables financing

Item	Closing balance	Opening balance
Notes receivables	6,861,152,721.55	5,273,656,586.51
Total	6,861,152,721.55	5,273,656,586.51

8. Prepayments

(1) Presentation of prepayments by aging:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,105,990,521.75	96.88	1,425,318,924.78	98.40
1 to 2 years	54,701,160.70	2.52	13,185,436.37	0.91
2 to 3 years	7,907,215.72	0.36	7,128,709.16	0.49

Over 3 years	5,289,582.68	0.24	2,941,285.62	0.20
Total	2,173,888,480.85	100.00	1,448,574,355.93	100.00

(2) Top five prepayments in terms of the closing balance collected by prepaid objects:

As at 30 June 2021, top five prepayments in terms of closing balance collected by prepaid objects amounted to RMB 582,069,166.14, accounting for 26.78% of the total closing balance of prepayments.

9. Other receivables

Item	Closing balance	Opening balance
Interests receivable	69,096,584.54	38,897,438.05
Dividends receivable	5,889,805.00	26,950,000.00
Other receivables	6,676,399,497.61	6,376,487,996.39
Total	6,751,385,887.15	6,442,335,434.44

(1) Interests receivable

Item	Closing balance	Opening balance
Multi-currency interest rate swap	272,311.10	1,380,300.00
Interests on term deposits	42,219,969.41	10,821,729.43
Entrusted loans		414,391.99
Others	26,604,304.03	26,281,016.63
Total	69,096,584.54	38,897,438.05

(2) Dividends receivable

Item (Investee)	Closing balance	Opening balance
Yantai Wanhua Chlor-Alkali Co., Ltd.	5,889,805.00	
Ningbo Xiebei Thermal Power Co., Ltd.		26,950,000.00
Total	5,889,805.00	26,950,000.00

(3) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	1,264,735,653.85
1 to 2 years	1,601,510,737.71
2 to 3 years	1,040,517,337.07
Over 3 years	3,028,949,723.50
Total	6,935,713,452.13

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	5,724,038,790.68	5,762,532,481.62
VAT refund receivables	371,750,186.34	231,306,158.89
Export tax refunds	319,931,704.62	233,039,522.95
Receivables from disposal of subsidiaries	227,450,188.06	
Security deposits and deposits	143,692,926.59	65,180,915.50
Project purchase funds refundable	69,958,244.00	104,396,091.89
Fiscal interest subsidy receivables	10,302,981.28	26,525,600.00
Petty cash	3,676,915.22	62,999,589.56
Land transaction fees and interests		81,154,456.49
Housing-reform house maintenance fund		6,634,508.19
Others	64,891,515.34	60,182,098.06
Total	6,935,693,452.13	6,633,951,423.15

3) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				Book value
	Book balance		Provision for bad debt		
	Amount	Propor-	Amount	Proportion of	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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		tion (%)		provision (%)	
Provision for bad debt on an individual basis	5,716,783,716.67	82.43	230,426,783.26	4.03	5,486,356,933.41
Provision for bad debt on a collective basis	1,218,929,735.46	17.57	28,887,171.26	2.37	1,190,042,564.20
Including: Provision for bad debt is made based on aging	1,218,929,735.46	17.57	28,887,171.26	2.37	1,190,042,564.20
Total	6,935,713,452.13	100.00	259,313,954.52	3.74	6,676,399,497.61

- 4) There were no other receivables actually written off during the period.
- 5) Top five other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Company 12	Current accounts	2,700,027,465.00	Over 5 years	38.93	
Company 13	Current accounts	760,000,000.00	1 to 2 years	10.96	
Company 14	Current accounts	740,000,000.00	1 to 2 years	10.67	
Company 15	Current accounts	649,841,331.05	2 to 3 years	9.37	
Company 16	Borrowing	330,000,000.00	1 to 2 years	4.76	
Total		5,179,868,796.05		74.69	

- 6) There were no other receivables related to government grants in the period.
- 7) There were no other receivables derecognised due to the transfer of financial assets.
- 8) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

10. Inventories

(1) Categories of inventories:

Item	Closing balance	Opening balance
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Raw materials	4,783,123,241.74	31,336,979.54	4,751,786,262.20	2,462,336,350.67	34,048,199.00	2,428,288,151.67
Work-in-progress	3,807,009,474.36	472,156.48	3,806,537,317.88	2,025,609,232.53	414,148.07	2,025,195,084.46
Finished goods	8,122,397,349.39	26,818,565.03	8,095,578,784.36	4,936,682,561.62	28,449,322.37	4,908,233,239.25
Consigned processing material	45,896,475.37	56,769.68	45,839,705.69	37,646,045.11		37,646,045.11
Turnover materials	31,159.81	31,159.81		31,159.81	31,159.81	
Engineering Construction	76,898,213.80		76,898,213.80	127,713,257.55		127,713,257.55
Properties under development (Note)	472,511,799.29		472,511,799.29	416,078,875.61		416,078,875.61
Goods in transit	31,327,612.39		31,327,612.39	43,375,435.98		43,375,435.98
Total	17,339,195,326.15	58,715,630.54	17,280,479,695.61	10,049,472,918.88	62,942,829.25	9,986,530,089.63

Note: Properties under development mainly refer to the property developed in Zhuhai by Zhuhai Wanhua Real Estate Development Co., Ltd., a subsidiary of Wanhua Chemical, the total budget investment is RMB 500,000,000.00, the property has been commenced for construction since July 2017 and expected to be completed at the end of 2021.

(2) Provision for inventory write-down

Item	Opening balance	Increase during the period		Decrease during the period		Foreign currency translation of financial statements	Closing balance
		Provision	Others	Reversals	Others		
Raw materials	34,048,199.00	44,761.58		1,756,410.24	999,570.80		31,336,979.54
Work-in-	414,148.07	100,152.37		42,143.96			472,156.48

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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progress							
Finished goods	28,449,322.37	2,957,409.57		4,510,242.91	77,924.00		26,818,565.03
Consigned processing material		56,769.68					56,769.68
Turnover materials	31,159.81						31,159.81
Total	62,942,829.25	3,159,093.20		6,308,797.11	1,077,494.80		58,715,630.54

11. Contract assets

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Technical service fee	50,000.00	2,500.00	47,500.00
Quality guarantee deposits and progress payments	303,864,644.40	28,541,221.22	275,323,423.18
Total	303,914,644.40	28,543,721.22	275,370,923.18

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment losses	Book value
Quality guarantee deposits and progress payments	288,260,893.27	21,936,010.02	266,324,883.25
Total	288,260,893.27	21,936,010.02	266,324,883.25

12. Non-current assets due within one year

Item	Closing balance	Opening balance
Entrusted loans due within one year	43,000,000.00	43,000,000.00
Total	43,000,000.00	43,000,000.00

13. Other current assets

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Item	Closing balance	Opening balance
Input VAT to be deducted	875,478,224.19	1,628,014,748.38
Prepaid enterprise income tax	5,611,444.81	6,731,210.07
Prepaid other taxes	3,483,322.15	1,851,856.76
Financial products	65,000,000.00	82,088,000.00
Entrusted loans	28,148,000.00	49,650,000.00
National debt reverse repurchase products	2,540,000.00	
Carbon emission quota	12,133,589.04	
Input VAT to be certified	292,227.50	
Others	33,439,622.95	29,524,798.51
Total	1,026,126,430.64	1,797,860,613.72

14. Debt investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Central power construction bond	50,000.00		50,000.00	50,000.00		50,000.00
Total	50,000.00		50,000.00	50,000.00		50,000.00

15. Available-for-sale financial assets

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Available-for-sale debt instruments:			
Available-for-sale equity instruments:			
At fair value			
At cost			
Total			

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment losses	Book value
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	7,271,856,950.12	41,257,383.77	7,230,599,566.35
At fair value	2,880,704.00		2,880,704.00
At cost	7,268,976,246.12	41,257,383.77	7,227,718,862.35
Total	7,271,856,950.12	41,257,383.77	7,230,599,566.35

16. Long-term receivables

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Finance leases	223,714,845.44		223,714,845.44	95,057,398.63		95,057,398.63	
Including: unearned finance income	33,034,272.89		33,034,272.89	15,001,025.24		15,001,025.24	
Installment collection for sale of goods	166,396.19		166,396.19	286,396.19	120,000.00	166,396.19	
Staff housing loans (Note)	753,230,712.19		753,230,712.19	696,640,378.46		696,640,378.46	
Others	350,377,281.75		350,377,281.75	352,686,888.71		352,686,888.71	
Total	1,327,489,235.57		1,327,489,235.57	1,144,671,061.99	120,000.00	1,144,551,061.99	

Note: According to “The Measures of Staff Housing Loans of Wanhua Chemical Group Co., Ltd.”, each employee is granted a housing loan of RMB 100,000, RMB 150,000 or RMB 200,000 with a maturity of seven, ten or twelve years respectively if certain conditions are met. Interest is calculated at the bank loan rate of interest over the same period. Wanhua Chemical is responsible for the interests and withholding individual income tax for the staff.

There are no long-term receivable derecognised due to the transfer of financial assets;

no transfer of long-term receivable and the amount of assets and liabilities arising from continuing involvement.

17. Long-term equity investments

Investee	Opening balance	Movement of the current period				
		Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement
I. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	742,046,179.33			41,812,981.94		51,850.14
AW Shipping Limited	88,738,171.51	109,959,233.60		-172,406.65		
COFCO Barrel Production (Yantai) Co., Ltd.	7,393,817.14	640,000.00		979,229.87		
Ningbo Xiebei Thermal Power Co., Ltd.	221,885,565.09			58,124,491.49		
Hangzhou Zhekai Engineering Technology Co., Ltd.	596,217.24			-152,961.11		
Yantai Hyundai MOON Heavy Industry Co., Ltd.	130,469,262.94			2,712,602.78	-107,595.79	
Yantai Tayho Engineering Materials Co., Ltd.	5,813,388.76		5,924,263.87	110,875.11		
Subtotal	1,196,942,602.01	110,599,233.60	5,924,263.87	103,414,813.43	-107,595.79	51,850.14
II. Associates						
Linde Gas (Yantai) Co., Ltd.	102,776,051.56			3,471,221.82		64,444.61
Yantai Bulk Commodity Exchange Center	9,130,160.92			-29,420.08		
Yantai Wanhua Chlor-Alkali Co.,	139,273,973.16			4,078,136.95		

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Ltd.						
IBI Chematur (Engineering&Consu ltancy) Ltd.	1,140,137.63			-111,211.79		
Wanhua New Materials Co., Ltd.	38,515,928.29			855,089.29		
Yantai International Conference & Exhibition Center Co., Ltd.	10,452,506.86					
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.	15,809,797.65					
Yantai Cultural Development Investment Fund Co., Ltd.	18,224,971.73					
Yantai Polaris Co., Ltd.	1,248,809.95		1,248,809.95			
Yantai Guoxin Intelligent Information Technology Co., Ltd.	156,986.52			-51,408.91		
Yantai Guoxin Ruifeng Assets Management Co., Ltd.	39,957,653.10			2,236,391.58		
Shandong Yantai Dengying Assets Management Co., Ltd.	100,998,767.34			-1,523,592.43		
Sanya Star Travel Qiming Fund Partnership (Limited Partnership)	1,002,123.30			-52,048.24		
Yantai Chenan Safety Technology Co., Ltd.	350,034.91			-80,078.01		
Yantai Jinghai Ocean Fishery Co., Ltd.	66,111,643.09			-4,749,299.11		
Yantai Dongde	2,782,173.93			90,980.19		

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Industrial Co., Ltd.						
Beijing Electrical Controller Intelligent Energy Co., Ltd.	6,738,399.12					
Wanhua Energy Saving Building Materials Co., Ltd.	115,373,017.46			5,846,896.37		
Yantai Free Trade Port Zone Huayu Supply Chain Management Co., Ltd.	13,998,776.69	5,610,000.00				
Yantai Guosheng Weiyuan Investment Management Co., Ltd.	1,182,788.10			514,858.73		
Cabero Heat Exchanger Yantai Co., Ltd.	32,626,273.79			4,236,958.43		
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	7,417,393.73			-170,901.56		
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	139,241,627.11			1,494,244.25	-16,859.92	
Linyi Smart New Energy Technology Co., Ltd.	2,015,129.71			915,547.04		
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	181,178.46			-181,178.46		
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	388,048.65			99,115.79		
Ningbo Meishan Bonded Port Area Kangshun Equity Investment Partnership (Limited Partnership)	48,624,039.32			-5,129.22		

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Fujian Southeast Electrochemical Co., Ltd.		646,319,695.35		8,331,133.93		337,492.47
Hualu Engineering & Technology Co., Ltd.		424,500,000.00		19,013,861.46	-361,500.00	-320,057.12
Fuzhou Fuhua Concrete Co., Ltd.		10,200,000.00		-49,736.62		
Huaneng (Laizhou) New Energy Technology Co., Ltd.		19,470,275.49				
Huaneng (Haiyang) Photovoltaic New Energy Co., Ltd.		128,566,000.00				
Yantai Fengda Industrial Development Investment Co., Ltd.		66,500,000.00		-28,319.76		
Yantai Yeda Science Technology Innovation Co., Ltd.		833,300.00				
Subtotal	915,718,392.08	1,301,999,270.84	1,248,809.95	44,152,111.64	-378,359.92	81,879.96
Total	2,112,660,994.09	1,412,598,504.44	7,173,073.82	147,566,925.07	-485,955.71	133,730.10

(Continued)

Investee	Movement of the current period			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
I. Joint Ventures					
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.				783,911,011.41	
AW Shipping Limited			-1,014,926.85	197,510,071.61	
COFCO Barrel Production (Yantai) Co., Ltd.				9,013,047.01	
Ningbo Xiebei Thermal Power Co., Ltd.	46,750,000.00			233,260,056.58	
Hangzhou Zhekai Engineering Technology Co., Ltd.				443,256.13	
Yantai Hyundai MOON Heavy				133,074,269.93	

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Industry Co., Ltd.					
Yantai Tayho Engineering Materials Co., Ltd.					
Subtotal	46,750,000.00		-1,014,926.83	1,357,211,712.67	
II. Associates					
Linde Gas (Yantai) Co., Ltd.				106,311,717.99	
Yantai Bulk Commodity Exchange Center				9,100,740.84	
Yantai Wanhua Chlor-Alkali Co., Ltd.	5,889,805.00			137,462,305.11	
IBI Chematur (Engineering&Consultancy) Ltd.				1,028,925.84	
Wanhua New Materials Co., Ltd.				39,371,017.58	
Yantai International Conference & Exhibition Center Co., Ltd.				10,452,506.86	
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.				15,809,797.65	
Yantai Cultural Development Investment Fund Co., Ltd.				18,224,971.73	
Yantai Polaris Co., Ltd.					
Yantai Guoxin Intelligent Information Technology Co., Ltd.				105,577.61	
Yantai Guoxin Ruifeng Assets Management Co., Ltd.				42,194,044.68	
Shandong Yantai Dengying Assets Management Co., Ltd.				99,475,174.91	
Sanya Star Travel Qiming Fund Partnership (Limited Partnership)				950,075.06	
Yantai Chenan Safety Technology Co., Ltd.				269,956.90	
Yantai Jinghai Ocean Fishery Co., Ltd.				61,362,343.98	
Yantai Dongde Industrial Co., Ltd.				2,873,154.12	
Beijing Electrical Controller Intelligent Energy Co., Ltd.				6,738,399.12	
Wanhua Energy Saving Building Materials Co., Ltd.	24,800,000.00		605,838.91	97,025,752.74	
Yantai Free Trade Port Zone Huayu Supply Chain Management				19,608,776.69	

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Co., Ltd.					
Yantai Guosheng Weiyuan Investment Management Co., Ltd.				1,697,646.83	
Cabero Heat Exchanger Yantai Co., Ltd.				36,863,232.22	
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.				7,246,492.17	
Qingdao Daneng Environmental Protection Equipment Co., Ltd.				140,719,011.44	
Linyi Smart New Energy Technology Co., Ltd.				2,930,676.75	
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.					
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.				487,164.44	
Ningbo Meishan Bonded Port Area Kangshun Equity Investment Partnership (Limited Partnership)				48,618,910.10	
Fujian Southeast Electrochemical Co., Ltd.			23,516,123.61	678,504,445.36	
Hualu Engineering & Technology Co., Ltd.			31,493,190.56	474,325,494.90	
Fuzhou Fuhua Concrete Co., Ltd.				10,150,263.38	
Huaneng (Laizhou) New Energy Technology Co., Ltd.				19,470,275.49	
Huaneng (Haiyang) Photovoltaic New Energy Co., Ltd.				128,566,000.00	
Yantai Fengda Industrial Development Investment Co., Ltd.				66,471,680.24	
Yantai Yeda Science Technology Innovation Co., Ltd.				833,300.00	
Subtotal	30,689,805.00		55,615,153.08	2,285,249,832.73	
Total	77,439,805.00		54,600,226.23	3,642,461,545.40	

18. Investments in other equity instruments

Item	Closing balance	Opening balance
Non-tradable investments in equity instruments	1,918,662,460.53	1,283,392,485.36
Total	1,918,662,460.53	1,283,392,485.36

19. Other non-current financial assets

Item	Closing balance	Opening balance
Available-for-sale equity instruments	6,920,441,051.18	
Total	6,920,441,051.18	

20. Investment properties

(1) Subsequent measurement under the cost model:

Item	Buildings	Land use rights	Total
I. Book balance			
1. Opening balance	70,403,365.32	423,690,069.25	494,093,434.57
2. Increase in the current period			
(1) Purchase			
3. Decrease in the current period	540,727.34		540,727.34
(1) Disposals	540,727.34		540,727.34
4. Closing balance	69,862,637.98	423,690,069.25	493,552,707.23
II. Accumulated depreciation and amortisation			
1. Opening balance	32,127,097.67	97,761,251.86	129,888,349.53
2. Increase in the current period	1,171,599.94	3,355,890.06	4,527,490.00
(1) Provisions	1,171,599.94	3,355,890.06	4,527,490.00
3. Decrease in the current period	199,766.52		199,766.52
(1) Disposals	199,766.52		199,766.52
4. Closing balance	33,098,931.09	101,117,141.92	134,216,073.01
III. Provision for impairment			
1. Opening balance		158,201,155.96	158,201,155.96
2. Increase in the current period			
(1) Provisions			

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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3. Decrease in the current period			
(1) Disposals			
4. Closing balance		158,201,155.96	158,201,155.96
IV. Book value			
1. Closing book value	36,763,706.89	164,371,771.37	201,135,478.26
2. Opening book value	38,276,267.65	167,727,661.43	206,003,929.08

(2) There is no subsequent measurement under the fair value model.

21. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	63,690,908,214.17	60,403,009,699.97
Fixed assets pending for disposal	53,491,599.74	28,379,546.59
Total	63,744,399,813.91	60,431,389,246.56

(1) Details of fixed assets:

Item	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Lands	Total
I. Book balance						
1. 1 January 2021	16,914,939,151.08	78,165,828,468.06	328,524,271.97	804,920,349.38	411,507,572.16	96,625,719,812.65
2. Increase in the current period	1,508,925,171.60	6,192,379,044.60	16,816,130.12	35,906,414.74		7,754,026,761.06
(1) Purchase	30,768,835.63	239,478,577.49	15,973,186.70	12,383,389.01		298,603,988.83
(2) Transfers from construction in progress	1,460,945,941.28	5,952,900,467.11	842,943.42	23,523,025.73		7,438,212,377.54
(3) Changes in the scope of consolidation	10,638,826.99					10,638,826.99
(4) Others	6,571,567.70					6,571,567.70
3. Decrease in the current period	191,977,658.65	2,714,893,107.16	8,307,431.14	10,342,769.80		2,925,520,966.75
(1) Disposals or retirement	191,977,658.65	519,140,757.16	8,307,431.14	10,342,769.80		729,768,616.75
(2) Others		2,195,752,350.00				2,195,752,350.00

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4. Exchange differences arising on translation of financial statements	-237,023,663.72	-377,707,204.30	-3,218,240.75	-6,740,236.59	-13,752,431.73	-638,441,777.09
5. 30 June 2021	17,994,863,000.31	81,265,607,201.20	333,814,730.20	823,743,757.73	397,755,140.43	100,815,783,829.87
II. Accumulated depreciation						
1. 1 January 2021	5,040,238,491.45	30,033,306,067.11	192,750,301.03	502,427,409.53		35,768,722,269.12
2. Increase in the current period	339,481,573.32	3,141,350,383.45	17,941,286.60	37,347,831.15		3,536,121,074.52
(1) Depreciation	336,726,515.81	3,141,350,383.45	17,941,286.60	37,347,831.15		3,533,366,017.01
(2) Changes in the scope of consolidation	2,555,290.99					2,555,290.99
(3) Others	199,766.52					199,766.52
3. Decrease in the current period	47,075,428.84	2,183,619,642.49	6,091,494.79	8,329,139.45		2,245,115,705.57
(1) Disposals or retirement	47,075,428.84	445,780,620.89	6,091,494.79	8,329,139.45		507,276,683.97
(2) Others		1,737,839,021.60				1,737,839,021.60
4. Exchange differences arising on translation of financial statements	-108,852,001.84	-260,540,642.58	-2,398,847.10	-5,605,985.23		-377,397,476.75
5. 30 June 2021	5,223,792,634.09	30,730,496,165.49	202,201,245.74	525,840,116.00		36,682,330,161.32
III. Provision for impairment losses						
1. 1 January 2021	290,237,229.62	163,690,187.62	58,714.84	1,711.48		453,987,843.56
2. Increase in the current period		2,153,947.32				2,153,947.32
(1) Impairment accrued during the period		2,153,947.32				2,153,947.32
3. Decrease in the current period	20,874,017.73	4,263.07	41,672.50			20,919,953.30
(1) Disposals or retirement	20,874,017.73	4,263.07	41,672.50			20,919,953.30
(2) Others						
4. Exchange differences arising on translation of financial statements	-112,481.60	7,426,029.79		10,068.61		7,323,616.80
5. 30 June 2021	269,250,730.29	173,265,901.66	17,042.34	11,780.09		442,545,454.38
IV. Book value						
1. 30 June 2021	12,501,819,635.93	50,361,845,134.05	131,596,442.12	297,891,861.64	397,755,140.43	63,690,908,214.17
2. 1 January 2021	11,584,463,430.01	47,968,832,213.33	135,715,256.10	302,491,228.37	411,507,572.16	60,403,009,699.97

(2) Temporary idle fixed assets:

Item	Book balance	Accumulated depreciation	Impairment provision	Book value	Remark
Buildings	41,150,418.97	30,616,246.82		10,534,172.15	Plant relocation, process adjustment
Machinery and equipment	121,679,648.46	98,572,064.08	7,943,191.83	15,164,392.55	
Others	3,134,112.37	2,977,406.75		156,705.62	
Total	165,964,179.80	132,165,717.65	7,943,191.83	25,855,270.32	

(3) Fixed assets held under finance leases in the period:

Item	Book balance	Accumulated depreciation	Impairment provision	Book value
Machinery and equipment	24,957,386.36	10,160,804.30		14,796,582.06
Total	24,957,386.36	10,160,804.30		14,796,582.06

(4) Fixed assets leased out to lessee under operating leases in the period:

Item	Book value
Buildings	10,769,656.53
Machinery and equipment	129,681.43
Total	10,899,337.96

(5) Fixed assets of which certificates of title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Buildings	3,211,838,905.64	In process
Total	3,211,838,905.64	

(6) Details of Fixed assets pending for disposal:

Item	Closing book value	Opening book value
Buildings	30,397,033.74	30,397,033.74

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Machinery and equipment	22,962,662.03	-2,017,699.10
Electronic equipment and others	131,903.97	211.95
Total	53,491,599.74	28,379,546.59

22. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	24,713,367,394.53	22,816,559,489.32
Engineering materials	2,015,671,384.12	1,747,671,868.26
Total	26,729,038,778.65	24,564,231,357.58

(1) Construction in progress

1) Details of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Polyurethane industrial chain extension and supporting project	9,407,281,352.24		9,407,281,352.24	11,060,547,460.25		11,060,547,460.25
Ethylene project	2,942,970,824.23		2,942,970,824.23	1,760,651,546.87		1,760,651,546.87
Large scale coal gasification project	2,250,529,923.98		2,250,529,923.98	1,865,788,892.93		1,865,788,892.93
Yantai Thermal Power Phase-II Project	662,716,940.41		662,716,940.41	472,058,422.30		472,058,422.30
High performance materials project of BC Company	618,976,185.15		618,976,185.15	617,645,945.56		617,645,945.56
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	550,649,342.95		550,649,342.95	473,175,403.21		473,175,403.21
New Isocyanate project	498,231,184.23		498,231,184.23	383,603,887.61		383,603,887.61
Investment Project of Plant Infrastructure of BC Company	393,233,489.74		393,233,489.74	359,430,746.11		359,430,746.11
Aniline Project of BC Company	390,162,236.55		390,162,236.55	285,530,915.13		285,530,915.13

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High Performance Modified Resin Project	388,409,375.06		388,409,375.06	292,640,115.65		292,640,115.65
Acetylene industry chain project	368,334,469.04		368,334,469.04	25,623,694.83		25,623,694.83
Guangdong Water-base Resin Phase-II Project	383,471,213.21		383,471,213.21	358,065,493.74		358,065,493.74
Institute of high performance materials	337,855,195.68		337,855,195.68	184,779,290.84		184,779,290.84
Technical Improvement Project of BC Company	288,483,164.81		288,483,164.81	191,178,001.45		191,178,001.45
Technological transformation of Wanhua Ningbo	281,345,447.11		281,345,447.11	335,754,164.63		335,754,164.63
220kV Power Transmission and Transformation Project	123,776,646.16		123,776,646.16	294,080,433.75		294,080,433.75
Railway special line project of Shanxi Zhongqiang	116,992,146.59		116,992,146.59	116,992,146.59		116,992,146.59
Intelligent compressor factory project	105,351,092.02		105,351,092.02	58,348,347.28		58,348,347.28
Binhai Road	82,996,670.69		82,996,670.69	82,996,670.69		82,996,670.69
Emergency water plant and supporting pipeline engineering	66,927,380.20		66,927,380.20	64,565,702.11		64,565,702.11
High performance para aramid fiber project	62,289,012.00		62,289,012.00	94,069,946.56		94,069,946.56
Intelligent manufacturing project of green differential spandex	61,583,561.43		61,583,561.43	12,292,626.44		12,292,626.44
Chunshan coal mine project of Shanxi Zhongqiang	53,789,920.12		53,789,920.12	53,789,920.12		53,789,920.12
Comprehensive land development (985,443 hectares)	48,940,626.12		48,940,626.12	2,844,612.41		2,844,612.41
Water resource recycling project	43,581,019.25		43,581,019.25			
Yulong Avenue	41,453,301.76		41,453,301.76	41,453,301.76		41,453,301.76
Green intelligent casting project	39,033,237.46		39,033,237.46	40,972,911.65		40,972,911.65
Industrialisation of high performance aramid paper based materials	25,043,379.09		25,043,379.09	16,003,415.58		16,003,415.58
Deep processing project of aramid fiber	15,046,310.81		15,046,310.81	8,578,567.61		8,578,567.61
3# Road	14,839,587.73		14,839,587.73	11,603,697.32		11,603,697.32
Test benches	13,517,606.22		13,517,606.22			
Nuosi Boer of Jingbian, Shaanxi	12,533,490.51		12,533,490.51	12,533,490.51		12,533,490.51
2# Road	9,749,419.08		9,749,419.08	9,749,419.08		9,749,419.08

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LNG liquefaction and recovery equipment	7,301,550.61		7,301,550.61			
Three mining area track lane	6,500,572.69		6,500,572.69	6,500,572.69		6,500,572.69
Transformation of Hesheng in Shaanxi	4,510,921.18		4,510,921.18	4,510,921.18		4,510,921.18
Oriental Aerospace Port major engineering construction project - Phase I	3,497,619.46		3,497,619.46	79,600,854.85		79,600,854.85
Hot water power generation project	3,241,710.83		3,241,710.83	3,241,710.83		3,241,710.83
Preliminary planning and design fee	2,518,867.92		2,518,867.92	2,518,867.92		2,518,867.92
Replacement Project of Waste Heat Heating Boiler in Yangcun Mine of Yanzhou Coal Industry	1,875,865.07		1,875,865.07	1,415,929.20		1,415,929.20
Quality stability improvement project	1,188,902.84		1,188,902.84	1,026,066.77		1,026,066.77
Primary network and heat exchange station in Oriental Aerospace Port Industrial Park	752,293.58		752,293.58			
10kV dual power supply Phase I	699,844.23		699,844.23			
Prepayment for South District project	417,666.67		417,666.67			
Solid launch vehicle test base factory building environment construction project	350,055.44		350,055.44			
Shoreline restoration and dredging	174,528.30		174,528.30			
Wanhua Chemical Shanghai Comprehensive Center Project				549,670,460.09		549,670,460.09
Gansu Aike silver project				16,356,301.34		16,356,301.34
DUNHAMBUSHI USA LLC infrastructure projects				11,137,455.59		11,137,455.59
Waste gas treatment project				1,273,682.10		1,273,682.10
Compression and condensing unit performance testing center				1,104,424.78		1,104,424.78
Others	4,784,695,921.30	804,453,677.22	3,980,242,244.08	3,355,306,728.63	804,453,677.22	2,550,853,051.41
Total	25,517,821,071.75	804,453,677.22	24,713,367,394.53	23,621,013,166.54	804,453,677.22	22,816,559,489.32

2) The movements of significant projects of construction in progress are as follows:

The Company decides that construction in progress of more than RMB 150,000,000.00 is considered as significant construction in progress as follows:

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Name of Items	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	Other decrease	Provision for impairment losses	Exchange differences arising on translation of financial statements
Polyurethane industrial chain extension and supporting project	47,980,250,000.00	11,060,547,460.25	3,689,180,219.10	5,332,577,107.14	9,869,219.97			
Ethylene project	16,800,000,000.00	1,760,651,546.87	2,297,019,864.44	1,114,700,587.08				
Wanhua Chemical Shanghai Comprehensive Center Project	610,000,000.00	549,670,460.09				549,670,460.09		
Guangdong Water-base Resin Phase-II Project	400,000,000.00	358,065,493.74	25,405,719.47					
High performance materials project of BC Company	643,327,018.21	617,645,945.56	29,937,501.58	2,531,443.13				-26,075,818.86
Investment Project of Plant Infrastructure of BC Company	602,498,382.30	359,430,746.11	49,026,153.84	48,938.34				-15,174,471.87
Technical Improvement Project of BC Company	1,357,228,125.00	191,178,001.45	105,376,329.32					-8,071,165.96
Yantai Thermal Power Phase-II Project	1,511,170,000.00	472,058,422.30	220,942,663.98	30,284,145.87				
Technological transformation of Wanhua Ningbo	2,175,448,000.00	335,754,164.63	78,327,526.95	132,736,244.47				
Institute of high performance materials	422,880,000.00	184,779,290.84	153,075,904.84					
New Isocyanate project	6,600,000,000.00	383,603,887.61	114,627,296.62					
High Performance Modified Resin Project	1,200,000,000.00	292,640,115.65	379,746,097.63	283,976,838.22				
Aniline Project of BC Company	324,967,460.00	285,530,915.13	116,685,885.17					-12,054,363.75
220kV Power Transmission and Transformation Project	469,000,000.00	294,080,433.75	25,521,320.80	195,825,108.39				

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Large scale coal gasification project	2,798,000,000.00	1,865,788,892.93	384,741,031.05					
Acetylene industry chain project	2,874,660,000.00	25,623,694.83	342,710,774.21					
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	1,200,000,000.00	473,175,403.21	77,473,939.74					
Total	88,169,928,985.51	19,510,224,874.95	8,089,798,228.74	7,092,680,412.64	9,869,219.97	549,670,460.09		-61,376,020.44

(Continued)

Name of Items	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised financial expenses	Including: capitalised financial expenses for the period	Interest capitalisation rate for the period (%)	Source of funds
Polyurethane industrial chain extension and supporting project	9,407,281,352.24	55.80	55.80	467,351,260.33	59,071,898.38	2.38	Self-raised funds and loans from bank
Ethylene project	2,942,970,824.23	94.03	94.03	385,033,761.35	74,149,729.53	2.74	Self-raised funds and loans from bank
Wanhua Chemical Shanghai Comprehensive Center Project		90.11	90.11				Self-raised funds
Guangdong Water-base Resin Phase-II Project	383,471,213.21	95.87	95.87				Self-raised funds
High performance materials project of BC Company	618,976,185.15	96.54	96.54	5,187,865.13	1,038,297.18	0.81	Self-raised funds and loans from bank
Investment Project of Plant Infrastructure of BC Company	393,233,489.74	65.28	65.28	2,537,510.38	571,085.46	0.81	Self-raised funds and loans from bank
Technical Improvement Project of BC Company	288,483,164.81	49.77	49.77	5,433,725.18			Self-raised funds and loans from bank
Yantai Thermal Power Phase-II Project	662,716,940.41	95.12	95.12	41,003,066.24	6,663,152.39	3.16	Self-raised funds and loans from bank
Technological transformation of Wanhua Ningbo	281,345,447.11	46.18	46.18				Self-raised funds

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Institute of high performance materials	337,855,195.68	90.18	90.18				Self-raised funds
New Isocyanate project	498,231,184.23	15.79	15.79	21,748,382.25	15,708,138.63	3.30	Self-raised funds and loans from bank
High Performance Modified Resin Project	388,409,375.06	56.03	56.03				Self-raised funds
Aniline Project of BC Company	390,162,236.55	74.32	74.32	3,298,564.07	1,313,467.17	0.81	Self-raised funds and loans from bank
220kV Power Transmission and Transformation Project	123,776,646.16	68.15	68.15	2,638,600.00			Self-raised funds and loans from bank
Large scale coal gasification project	2,250,529,923.98	80.43	80.43	94,143,116.84	21,518,417.04	4.73	Self-raised funds and loans from bank
Acetylene industry chain project	368,334,469.04	12.81	12.81				Self-raised funds
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	550,649,342.95	45.89	45.89	3,620,866.33	3,418,791.19	3.91	Self-raised funds and loans from bank
Total	19,886,426,990.55	-	-	1,031,996,718.10	183,452,976.97	-	

3) There is no provision for impairment of construction in progress in the reporting period.

(2) Engineering materials

Category	Closing balance	Opening balance
Equipments	1,308,292,364.61	1,321,896,868.88
Materials	707,379,019.51	425,774,999.38
Total	2,015,671,384.12	1,747,671,868.26

23. Right-of-use assets

Item	Buildings	Machinery and equipment	Transportation vehicles	Lands	Total
I. Book balance					
1. Opening balance					
2. Increase in the current period	142,464,193.73	579,048,908.98	1,961,757,264.80	2,162,593.33	2,685,432,960.84

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the six months period ended 30 June 2021

(1) Purchase	1,134,546.65				1,134,546.65
(2) New leases	9,810,186.54		826,342,057.87		836,152,244.41
(3) Others	131,519,460.54	579,048,908.98	1,135,415,206.93	2,162,593.33	1,848,146,169.78
3. Decrease in the current period	5,462,867.04	30,046,357.00	11,276,020.38		46,785,244.42
(1) Termination of leases	4,521,912.95	5,395,712.40			9,917,625.35
(2) Exchange differences arising on translation of financial statements	940,954.09	24,650,644.60	11,276,020.38		36,867,619.07
4. Closing balance	137,001,326.69	549,002,551.98	1,950,481,244.42	2,162,593.33	2,638,647,716.42
II. Accumulated depreciation					
1. Opening balance					
2. Increase in the current period	25,462,062.56	111,190,420.47	248,243,785.22	157,478.39	385,053,746.64
(1) Provisions	22,579,683.68	111,190,420.47	248,243,785.22	157,478.39	382,171,367.76
(2) Others	2,882,378.88				2,882,378.88
3. Decrease in the current period	417,793.26	5,741,964.60	283,391.66		6,443,149.52
(1) Termination of leases	376,826.07	5,003,716.20			5,380,542.27
(2) Exchange differences arising on translation of financial statements	40,967.19	738,248.40	283,391.66		1,062,607.25
4. Closing balance	25,044,269.30	105,448,455.87	247,960,393.56	157,478.39	378,610,597.12
III. Provision for impairment losses					
1. Opening balance					
2. Increase in the current period					
(1) Provisions					
3. Decrease in the current period					
(1) Disposals					
4. Closing balance					
IV. Book value					
1. Closing book value	111,957,057.39	443,554,096.11	1,702,520,850.86	2,005,114.94	2,260,037,119.30
2. Opening book value					

24. Intangible assets

(1) Details of intangible assets:

Item	Land use rights	Mining rights	Mineral exploration rights	Computer software	Patents
I. Book balance					
1. Opening balance	5,045,486,305.28	2,359,041,917.24	18,560,400.00	380,378,838.15	189,766,838.36
2. Increase in the current period	407,915,625.53			20,641,647.16	471,520.03
(1) Purchase	396,831,124.03			7,775,996.56	471,520.03
(2) Transfer from construction in progress				12,865,650.60	
(3) Others	11,084,501.50				
3. Decrease in the current period	96,451,345.77			339,249.29	
(1) Disposals				339,249.29	
(2) Others	96,451,345.77				
4. Exchange differences arising on translation of financial statements	-12,031.36			-2,694,854.33	-239,670.67
5. Closing balance	5,356,938,553.68	2,359,041,917.24	18,560,400.00	397,986,381.69	189,998,687.72
II. Accumulated amortisation					
1. Opening balance	502,461,799.96	163,113,375.77		215,784,357.14	167,895,894.86
2. Increase in the current period	58,053,591.40	13,299,380.64		19,802,389.55	608,199.92
(1) Provisions	54,401,841.26	13,299,380.64		19,802,389.55	608,199.92
(2) Acquired in a business combination					
(3) Others	3,651,750.14				
3. Decrease in the current period	13,325,017.40			334,593.87	
(1) Disposals				334,593.87	
(2) Others	13,325,017.40				
4. Exchange differences arising on translation of financial statements	-2,966.39			-2,402,206.98	-195,028.80
5. Closing balance	547,187,407.57	176,412,756.41		232,849,945.84	168,309,065.98

III. Provision for impairment losses					
1. Opening balance					
2. Increase in the current period					
(1) Provisions					
3. Decrease in the current period					
(1) Disposals					
(2) Disposals of subsidiaries					
(3) Others					
4. Closing balance					
IV. Book value					
1. Closing book value	4,809,751,146.11	2,182,629,160.83	18,560,400.00	165,136,435.85	21,689,621.74
2. Opening book value	4,543,024,505.32	2,195,928,541.47	18,560,400.00	164,594,481.01	21,870,943.50

(Continued)

Item	Non-patented technology	Coking Capacity Indicators	Franchise	Others	Total
I. Book balance					
1. Opening balance	2,972,053,619.30	378,548.31	545,584,859.91	97,802,800.00	11,609,054,126.55
2. Increase in the current period	138,954,841.70			305,121,600.00	873,105,234.42
(1) Purchase	138,954,841.70				544,033,482.32
(2) Transfer from construction in progress					12,865,650.60
(3) Others				305,121,600.00	316,206,101.50
3. Decrease in the current period	1,000,000.00		580,601.44	1,520,800.00	99,891,996.50
(1) Disposals	1,000,000.00		580,601.44	1,520,800.00	3,440,650.73
(2) Others					96,451,345.77
4. Exchange differences arising on translation of financial statements	-36,403,690.00				-39,350,246.36
5. Closing balance	3,073,604,771.00	378,548.31	545,004,258.47	401,403,600.00	12,342,917,118.11
II. Accumulated amortisation					
1. Opening balance	981,820,674.31		41,373,029.96	2,540,494.97	2,074,989,626.97

2. Increase in the current period	132,013,976.54		11,957,381.64	4,347,335.23	240,082,254.92
(1) Provisions	132,013,976.54		11,957,381.64	284,969.72	232,368,139.27
(2) Acquired in a business combination				4,062,365.51	4,062,365.51
(3) Others					3,651,750.14
3. Decrease in the current period	658,333.34		25,683.33	210,000.06	14,553,628.00
(1) Disposals	658,333.34		25,683.33	210,000.06	1,228,610.60
(2) Others					13,325,017.40
4. Exchange differences arising on translation of financial statements	-17,953,218.12				-20,553,420.29
5. Closing balance	1,095,223,099.39		53,304,728.27	6,677,830.14	2,279,964,833.60
III. Provision for impairment losses					
1. Opening balance					
2. Increase in the current period					
(1) Provisions					
3. Decrease in the current period					
(1) Disposals					
(2) Disposals of subsidiaries					
(3) Others					
4. Closing balance					
IV. Book value					
1. Closing book value	1,978,381,671.61	378,548.31	491,699,530.20	394,725,769.86	10,062,952,284.51
2. Opening book value	1,990,232,944.99	378,548.31	504,211,829.95	95,262,305.03	9,534,064,499.58

25. Goodwill

(1) The Original value of the goodwill:

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Exchange differences arising on translation of financial statements	
BorsodChem Zrt.	1,097,042,567.29		46,315,018.29	1,050,727,549.00
Wanhua Chemical (Ningbo)	277,518,585.35			277,518,585.35

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Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Exchange differences arising on translation of financial statements	
Chlor-Alkali Co., Ltd.				
Beijing Juliwei Technology Co., Ltd.	11,831,625.29			11,831,625.29
Yantai Moon Engineering Technology Co., Ltd.	153,297.36			153,297.36
Beijing Huayuan taimeng Energy-saving Equipment Co., Ltd.	73,778,808.46			73,778,808.46
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	16,282,252.31			16,282,252.31
Dunham-Bush Holding Bhd	726,339,884.39			726,339,884.39
Total	2,202,947,020.45		46,315,018.29	2,156,632,002.16

(2) Provision for impairment of the goodwill:

Name of the investee	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Exchange differences arising on translation of financial statements	Reversal or written off	Others	
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	6,743,576.74					6,743,576.74
Total	6,743,576.74					6,743,576.74

26. Long-term prepaid expenses

Item	Opening balance	Increase in the current period	Amortisation in the current period	Other decreases	Closing balance
Long-term prepaid expenses	72,928,065.21	10,091,331.66	4,045,240.49	173,532.19	78,800,624.19
Total	72,928,065.21	10,091,331.66	4,045,240.49	173,532.19	78,800,624.19

27. Deferred tax assets / Deferred tax liabilities

(1) Deferred tax assets without offset:

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	1,457,735,398.25	276,384,150.46	1,467,718,910.33	285,603,274.71
Deductible tax losses	1,087,051,664.92	255,616,753.49	695,170,009.29	152,098,369.45
Employee benefits payable	503,459,809.74	88,287,671.33	630,110,946.54	103,848,046.17
Unpaid expenses	2,868,636,564.96	438,897,029.14	2,516,447,359.83	374,767,980.71
Accrued expenses	88,405,317.29	14,352,161.60	100,330,623.53	17,739,747.98
Unrealised profit from intra-group transactions	3,060,001,911.98	519,066,662.81	2,375,934,157.09	388,068,912.73
Deferred income	1,093,509,626.03	168,225,288.26	990,415,719.51	150,050,830.90
Differences in depreciation of fixed assets	346,818,654.57	52,506,102.50	277,458,104.60	42,107,378.85
Changes in fair value of financial instruments	5,758,975.28	402,041.96	1,379,658.00	124,146.75
Finance leases			88,032,564.75	7,922,922.00
Provision for expected credit loss	693,849,078.11	83,716,564.44	467,033,460.51	75,156,690.18
Provisions	45,525,040.21	7,796,227.51	39,993,038.12	6,966,427.20
Income from engineering coal			5,311,411.60	1,327,852.90
Tax credits for environmental protection equipment			67,110,451.96	6,711,045.20
Deposit for sales	15,717,448.59	3,753,856.20		
Others	72,960,886.00	7,416,322.51		
Total	11,339,430,375.93	1,916,420,832.21	9,722,446,415.66	1,612,493,625.73

(2) Deferred tax liabilities without offset:

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences in depreciation of fixed assets	5,345,116,386.16	788,888,483.71	5,842,387,142.38	865,226,152.38
Increase from revaluation of assets acquired through business combination not involving entities under common control	1,253,606,664.75	253,613,799.75	1,265,781,375.97	269,500,121.06
Changes in fair value of financial instruments	419,914,133.74	51,610,460.31	869,537,001.01	130,500,876.18
Valuation of trading financial instruments and derivative financial instruments	20,666.67	3,100.00		
Changes in fair value of available-for-sale financial assets recognised in other comprehensive income	457,364,795.38	152,955,620.43	267,305,501.01	36,828,890.08
Total	7,476,022,646.70	1,247,071,464.20	8,245,011,020.37	1,302,056,039.70

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offsetting:

Item	The offset amount of deferred tax assets and liabilities at the end of the period	Deferred tax assets and liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets and liabilities after offset at the beginning of the period
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1. Deferred tax assets	643,754,557.68	1,272,666,274.53	633,030,324.13	979,463,301.60
2. Deferred tax liabilities	643,754,557.68	603,316,906.52	633,030,324.13	669,025,715.57

28. Other non-current assets

Item	Closing balance	Opening balance
Prepayment for construction	5,179,557,623.50	4,451,576,049.54
Prepayment for land compensation	223,275,395.53	210,712,422.41
Prepayment for equipment	224,625,319.11	34,616,840.37
Circulation right of equity separation	10,606,473.39	20,397,064.21
Equity assessment appreciation	23,110,289.02	23,110,289.02
Entrusted Loans	193,500,000.00	215,000,000.00
Land transaction fees	4,453,653.20	4,453,653.20
Prepayment for equity		120,000,000.00
Prepayment for compensation of production capacity integration in local refining industry	10,999,920,000.00	6,366,580,000.00
Others	1,022,210.69	2,670,293.82
Total	16,860,070,964.44	11,449,116,612.57

29. Short-term borrowings

Item	Closing balance	Opening balance
Pledged loans	182,000,000.00	130,000,000.00
Guaranteed loans	64,818,302.71	64,713,672.63
Pledged and guaranteed loans		32,000,000.00
Mortgage and guaranteed loans	51,460,000.00	51,460,000.00
Credit loans	50,007,628,161.44	41,723,541,587.88
Total	50,305,906,464.15	42,001,715,260.51

30. Derivative financial liabilities

Item	Closing balance	Opening balance
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Multi-currency interest rate swap contract		23,946,600.00
Liquefied petroleum gas (LPG) OTC transaction contract	4,188,992.07	
Total	4,188,992.07	23,946,600.00

31. Notes payable

Category	Closing balance	Opening balance
Bank acceptance bills	7,269,116,557.65	7,559,596,399.69
Commercial acceptance bills	39,000,000.00	1,487,000,000.00
Total	7,308,116,557.65	9,046,596,399.69

32. Accounts payable

(1) Details of accounts payable are as follows:

Aging	Closing balance	Opening balance
Within 1 year	13,674,056,086.56	10,040,511,779.89
1 to 2 years	783,376,038.75	540,400,691.52
2 to 3 years	76,374,588.26	91,430,478.29
Over 3 years	135,674,851.40	166,406,833.24
Total	14,669,481,564.97	10,838,749,782.94

(2) Significant accounts payable aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 20	42,156,372.87	Installment agreement, payment by installment
Company 21	40,245,210.69	Yet to be settled
Company 22	27,387,081.55	Yet to be settled
Company 23	23,970,194.00	Installment agreement, payment by installment
Company 24	23,067,246.19	Yet to be settled
Company 25	21,806,807.27	Yet to be settled

Total	178,632,912.57
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33. Receipts in advance

(1) Presentation of receipts in advance

Aging	Closing balance	Opening balance
Within 1 year	122,058.50	105,548,991.20
Over 1 year		16,874.00
Total	122,058.50	105,565,865.20

(2) There are no significant receipts in advance aged more than one year.

34. Contract liabilities

Item	Closing balance	Opening balance
Receipts in advance	6,314,478,657.33	3,547,337,812.24
Total	6,314,478,657.33	3,547,337,812.24

35. Employee benefits payable

(1) Details of employee benefits payable:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term employee benefits	1,228,649,398.15	3,132,586,454.66	3,323,344,501.25	1,037,891,351.56
2. Post-employment benefits - defined contribution plans	18,160,029.23	313,637,452.41	299,398,892.52	32,398,589.12
3. Termination benefits	825,260.85	1,391,449.65	2,216,710.50	
4. Other benefits maturing within one year	333,990.97	570,217.58	185,365.55	718,843.00
Total	1,247,968,679.20	3,448,185,574.30	3,625,145,469.82	1,071,008,783.68

(2) Details of short-term employee benefits:

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Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	1,128,856,390.86	2,684,657,965.11	2,896,419,251.31	917,095,104.66
2. Staff welfare	1,545,394.37	119,584,937.37	119,201,390.43	1,928,941.31
3. Social security contributions	7,184,461.57	144,365,244.08	139,851,306.85	11,698,398.80
Including:				
Medical insurance	6,144,710.91	125,181,854.76	120,326,667.48	10,999,898.19
Work injury insurance	96,235.28	18,262,084.92	17,860,914.93	497,405.27
Maternity insurance	139,806.37	921,304.40	893,474.46	167,636.31
Others	803,709.01		770,249.98	33,459.03
4. Housing funds	1,463,965.20	160,302,889.36	146,393,057.51	15,373,797.05
5. Labor union and employee education funds	86,097,318.41	22,943,454.91	21,099,660.93	87,941,112.39
6. Short-term compensated absences	524,940.51			524,940.51
7. Short-term profit-sharing plans				
8. Others	2,976,927.23	731,963.83	379,834.22	3,329,056.84
Total	1,228,649,398.15	3,132,586,454.66	3,323,344,501.25	1,037,891,351.56

(3) Presentation of defined contribution plan:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	17,274,949.42	297,883,779.07	284,127,849.53	31,030,878.96
2. Unemployment insurance	877,054.81	13,809,845.76	13,319,190.41	1,367,710.16
3. Enterprise annuity	8,025.00	1,943,827.58	1,951,852.58	
Total	18,160,029.23	313,637,452.41	299,398,892.52	32,398,589.12

36. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	1,703,504,429.28	771,603,569.28
Value-added tax	409,226,670.50	383,632,246.07
Urban maintenance and construction tax	26,044,899.85	24,893,121.87
Land use tax	5,253,989.59	23,029,039.02
Property tax	3,488,302.80	15,574,242.94
Individual income tax	13,957,069.03	9,881,572.14
Environmental protection tax	77,780.36	9,634,792.73
Resources tax	8,193,929.26	5,333,101.22
Education surcharges	990,170.65	1,348,274.50
Stamp duty	1,012,934.26	745,754.81
Water resources tax	648,771.36	623,614.73
Local education surcharges	651,219.12	472,687.15
Others	133,971,701.48	40,035,462.39
Total	2,307,021,867.54	1,286,807,478.85

37. Other payables

Item	Closing balance	Opening balance
Interest payable	13,080,986.41	182,149,823.13
Dividend payable	162,531,239.58	72,311,777.78
Other payables	4,293,765,636.36	3,963,659,850.75
Total	4,469,377,862.35	4,218,121,451.66

(1) Interest payable:

Item	Closing balance	Opening balance
Interest on short-term borrowings		71,719,610.31
Interest on long-term borrowings with interest paid by installments		19,851,024.76
Interest on corporate bonds		77,574,722.25

Interest on long-term payables	13,080,986.41	13,004,465.81
Total	13,080,986.41	182,149,823.13

(2) Dividend payable:

Item	Closing balance	Opening balance
Dividends on ordinary shares	91,067,072.88	60,144,000.00
Dividend declared on perpetual bonds classified as equity instrument	71,464,166.70	12,167,777.78
Total	162,531,239.58	72,311,777.78

(3) Other payables

1) Other payables listed by nature:

Item	Closing balance	Opening balance
Current accounts	2,878,328,404.28	2,887,704,983.71
Maintenance fees	394,800,111.49	290,018,468.49
Transportation fees	417,115,061.25	220,760,077.53
Deposits and security deposits	172,480,617.45	186,063,299.51
Payables for projects	43,099,699.73	37,672,254.26
Rental fees	4,035,946.04	27,483,593.96
Guarantee funds for rural interests	4,756,010.00	8,584,488.00
Collection and payment for another	12,041,401.86	2,669,498.48
Payable for mineral exploration rights	6,276,900.00	
Payable for equity acquisition	26,096,900.00	
Others	334,734,584.26	302,703,186.81
Total	4,293,765,636.36	3,963,659,850.75

2) Other significant payables aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 26	2,400,027,465.00	The terms of payment have not been met

Company 27	300,000,000.00	The terms of payment have not been met
Company 28	26,547,462.43	The payment period has not yet expired
Company 29	22,550,000.00	The terms of payment have not been met
Total	2,749,124,927.43	

38. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,085,788,766.49	1,349,017,282.63
Long-term payables due within one year	14,699,891.55	36,421,689.66
Other non-current liabilities due within one year	107,067.69	197,455,125.00
Lease liabilities due within one year	888,319,502.97	
Total	2,988,915,228.70	1,582,894,097.29

39. Other current liabilities

Item	Closing balance	Opening balance
Short-term financing bonds	8,021,789,260.26	5,011,795,164.13
Output tax to be transferred	741,343,121.29	423,837,942.91
Interest on long-term borrowings and bonds payable	117,753,959.64	
Total	8,880,886,341.19	5,435,633,107.04

40. Long-term borrowings

Item	Closing balance	Opening balance
Pledged loans	4,956,854.64	
Mortgage loans		6,128,066.01
Guaranteed loans	1,595,751,973.77	1,433,917,829.00
Credit loans	25,222,043,516.88	21,543,874,634.78
Mortgage and guaranteed loans		24,010,800.00
Total	26,822,752,345.29	23,007,931,329.79

41. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
Corporate bonds	6,982,910,810.04	4,982,589,618.17
Total	6,982,910,810.04	4,982,589,618.17

(2) Movement of bonds payable:

Name of bonds	Par value	Issue date	Term	Issue amount	Opening balance of the period	Issued in the current period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	1,000,000,000.00	7 November 2019	3 years	1,000,000,000.00	997,881,982.73	
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	1,000,000,000.00	7 November 2019	5 years	1,000,000,000.00	995,791,343.13	
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2020	2,000,000,000.00	10 April 2020	5 years	2,000,000,000.00	1,991,372,963.23	
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2020	1,000,000,000.00	27 May 2020	3 years	1,000,000,000.00	997,543,329.08	
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2021	1,000,000,000.00	11 January 2021	5 years	1,000,000,000.00		997,169,811.31

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Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2021	1,000,000,000.00	4 February 2021	3 years	1,000,000,000.00		1,000,000,000.00
Total	7,000,000,000.00			7,000,000,000.00	4,982,589,618.17	1,997,169,811.31

(Continued)

Name of bonds	Accrued interest based on par value	Premium and discount amortisation	Repaid in the current period	Others	Closing balance of the period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	18,850,000.00	553,003.87			998,434,986.60
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	21,300,000.00	511,841.91			996,303,185.04
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2020	33,200,000.00	954,418.34		270,395.76	1,992,597,777.33
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2020	14,900,000.00	515,456.44			998,058,785.52
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2021	18,700,000.00	346,264.24			997,516,075.55

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Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2021	19,550,000.00				1,000,000,000.00
Total	126,500,000.00	2,880,984.80		270,395.76	6,982,910,810.04

42. Lease liabilities

Item	Closing balance	Opening balance
Lease liabilities	1,517,934,928.85	
Total	1,517,934,928.85	

43. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	451,887,953.63	713,982,873.63
Special payables	4,658,096,397.26	4,079,060,000.00
Total	5,109,984,350.89	4,793,042,873.63

(1) Long-term payables

Presentation of long-term payables by natures:

Item	Closing balance	Opening balance
Finance leased payable	1,099,073.63	339,716,873.63
Mining right fee	312,866,000.00	312,866,000.00
Share acquisition funds payable	50,000,000.00	60,000,000.00
Performance security of share acquisition	1,400,000.00	1,400,000.00
Funds payable for special bonds	86,522,880.00	
Total	451,887,953.63	713,982,873.63

(2) Special payables

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Longkou Municipal Bureau of Finance	4,060,960,000.00	579,036,397.26		4,639,996,397.26	Principal and interest of special bond
Industrialisation project of dope-dyed meta-aramid short-staple fiber	10,000,000.00			10,000,000.00	Project without going through the acceptance check
Project of new recyclable process, a high quality aramid raw material with annual output of 7000 tons	8,100,000.00			8,100,000.00	Project without going through the acceptance check
Total	4,079,060,000.00	579,036,397.26		4,658,096,397.26	

44. Long-term employee benefits payable

Item	Closing balance	Opening balance
1. Post-employment benefits – net liabilities of defined benefit plans	44,601,215.31	45,189,394.90
2. Termination benefits	5,534,469.69	5,993,042.85
3. Other long-term employee benefits	6,201,854.94	6,436,982.14
Total	56,337,539.94	57,619,419.89

45. Provisions

Item	Closing balance	Opening balance
Provision for environmental costs	238,860,886.06	258,435,735.75
Product quality warranties	35,850,325.48	30,318,323.39
Asset retirement obligation	520,665.82	520,665.82
Provision for mine environmental restoration	14,135,185.95	9,154,048.91
Others	15,283,316.94	16,380,389.25
Total	304,650,380.25	314,809,163.12

46. Deferred income

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Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government grants	1,063,925,602.31	220,633,955.00	87,890,460.98	1,196,669,096.33	Monetary assets obtained from the government at no cost
Others	66,581,031.47	13,757,469.28		80,338,500.75	
Total	1,130,506,633.78	234,391,424.28	87,890,460.98	1,277,007,597.08	

Details of items related to government grants:

Item	Opening balance	New grants in the current period	Recognised in other income	Other changes	Exchange differences arising on translation of financial statements	Closing balance	Related to assets/income
Industrial upgrading subsidies	414,347,561.71		23,727,388.14			390,620,173.57	Related to assets
Industrial supporting subsidies	152,186,258.69	157,000,000.00	5,494,102.72		-20,000,000.00	283,692,155.97	Related to assets
Subsidies for industry revitalisation and comprehensive technology transformation projects	111,239,590.55		5,115,297.24		-2,005,012.60	104,119,280.71	Related to assets
Special funds for strengthening the core competitiveness of manufacturing industry	75,939,930.40	18,070,000.00	5,313,333.36		20,000,000.00	108,696,597.04	Related to assets/income
Special funds for supporting key advantageous industries	54,820,000.00	29,665,000.00				84,485,000.00	Related to income
Environmental protection subsidy	34,915,729.16		2,016,875.00			32,898,854.16	Related to assets
Special funds for optimisation of industrial structure	29,218,201.30		1,926,474.84			27,291,726.46	Related to assets

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Special funds for supporting the development of enterprises	24,922,387.88		415,373.16			24,507,014.72	Related to assets
Interest discount on loans for key industry technical transformation project	19,838,846.41		1,164,659.50			18,674,186.91	Related to assets
Special fund from construction of two zones	17,899,159.67		1,512,605.04			16,386,554.63	Related to assets
Park upgrading and reconstruction subsidies	16,183,125.00		328,125.00			15,855,000.00	Related to assets
Yantai "13th five year plan" innovation and development of marine economy demonstration city project	14,000,000.00		6,416,666.65	-7,583,333.35			Related to assets
Ningxia Hui Autonomous Region performance evaluation and reward fund in 2019	10,000,000.00					10,000,000.00	Related to assets
Subsidy for stabilising posts	7,609,920.43		3,746,390.28		-2,400,000.00	1,463,530.15	Related to income
HCFCs replacement and transformation project in industrial and commercial refrigeration industry	7,195,920.80			-7,195,920.80			Related to assets
Recycling transformation subsidies	6,187,500.00		375,000.00			5,812,500.00	Related to assets
Integrated molding and engineering fabrication of fibrous energy storage devices	4,874,724.50		244,495.50			4,630,229.00	Related to assets

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Boiler flue gas ultra low emission transformation project	3,966,666.72		424,999.98			3,541,666.74	Related to assets
Special fund for the development of high-tech enterprises in the autonomous region in 2020	3,833,333.00		250,002.00			3,583,331.00	Related to assets
Special fund for strategic emerging Industrialisation in the autonomous region in 2019	3,259,259.22		222,222.24			3,037,036.98	Related to assets
Important subject funds for provincial key projects of new and old kinetic energy conversion in 2020	3,000,000.00		286,447.37			2,713,552.63	Related to assets
Comprehensive award and subsidy fund for industrial enterprise technological transformation in Ningdong base in 2018	2,875,000.00		187,500.00			2,687,500.00	Related to assets
High performance aramid fiber laminated products	2,756,783.33					2,756,783.33	Related to assets
Research & development and Industrialisation of major technology of key paper-based materials with an annual output of 1500 tons for wind power generation	2,487,005.44	2,065,000.00				4,552,005.44	Related to income
Independent innovation in	2,291,667.10		624,999.78			1,666,667.32	Related to assets

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Shandong Province (Industrialisation technology development of Para-aramid fiber with high stren gth and high modul us and its key raw materials)							
Special funds for the industry-leading demonstration enterprises (products) in manufacturing industry in the autonomous region in 2020	2,000,000.00					2,000,000.00	Related to assets
Special funds for laboratory construction of national aramid fiber engineering technology research center	1,913,306.68		503,024.16			1,410,282.52	Related to assets
Provincial science and technology innovation and development funds in 2019 (financial subsidy for enterprise research and development)	1,530,000.00			-1,530,000.00			Related to income
Water resource recycling project	1,500,000.00	5,000,000.00				6,500,000.00	Related to assets
Supporting funds for engineering preparation of 1000 tons of para aramids and its special protection application technology	1,500,000.00					1,500,000.00	Related to income

For the six months period ended 30 June 2021

development (the first prize of provincial Science and Technology Awards)							
Development and Industrialisation of large temperature difference steam / distillation steam compression equipment for high concentration organic liquid treatment	1,406,459.68		19,945.91	-1,386,513.77			Related to assets
Key technology of large scale and stabilisation preparation of high performance para- aramid	1,034,482.58		137,931.06			896,551.52	Related to assets
Special fund for independent innovation and achievement transformation in 2014 for the development of fusible meta-aramid Industrialisation technology	1,031,250.04		171,874.98			859,375.06	Related to assets
Key technology for preparation and engineering of high strength meta- aramid fiber	1,000,000.00					1,000,000.00	Related to assets
Research and development ground source heat pump technology and Industrialisation project	861,211.77		80,001.24	-781,210.53			Related to assets
Cold and hot	620,000.04		287,129.85	-332,870.19			Related to

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environment engineering technology research center							assets
"Machines replace humans" technical transformation cold and hot interconnected refrigeration system in production line technical transformation project	586,666.68		44,000.02	-542,666.66			Related to assets
High-efficiency variable frequency centrifugal chillers (heat pump) with large capacity and stepless energy regulation	273,407.02		273,407.02				Related to assets
Research and demonstration of flue gas deep pollution reduction and "whitening" technology based on spray heat exchanger	182,216.32		33,333.36	-148,882.96			Related to assets
Full liquid type of air-cooled heat pump unit	61,921.05		61,921.05				Related to assets
Marine satellite launch and recovery		2,450,000.00				2,450,000.00	Related to assets
Others	22,576,109.14	10,788,967.60	5,581,036.29	-1,402,499.98		26,381,540.47	Related to assets/income
Total	1,063,925,602.31	225,038,967.60	66,986,562.74	-20,903,898.24	-4,405,012.60	1,196,669,096.33	

47. Other non-current liabilities

Item	Closing balance	Opening balance
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Public housing maintenance fund	20,833,845.19	834,161.69
Total	20,833,845.19	834,161.69

48. Paid-in capital

Name of Investor	Opening balance		Increase in the current period	Decrease in the current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
Yantai SASAC	10,000,000,000.00	100.00			10,000,000,000.00	100.00
Total	10,000,000,000.00	100.00			10,000,000,000.00	100.00

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49. Other equity instruments

Financial instruments issued	Opening balance of the period		Increase during the period		Decrease during the period		Closing balance of the period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues renewable corporate bonds in 2020 (first tranche)	20,000,000.00	1,996,632,075.46					20,000,000.00	1,996,632,075.46
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues renewable corporate bonds in 2021 (first tranche) (variety 1)			15,000,000.00	1,498,282,641.52			15,000,000.00	1,498,282,641.52
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues renewable corporate bonds in 2021 (first tranche) (variety 2)			15,000,000.00	1,497,504,339.62			15,000,000.00	1,497,504,339.62
Total	20,000,000.00	1,996,632,075.46	30,000,000.00	2,995,786,981.14			50,000,000.00	4,992,419,056.60

50. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Other capital reserve		110,006,153.42		110,006,153.42
Total		110,006,153.42		110,006,153.42

51. Other comprehensive income

Item	Opening balance	Amount for the current period					Closing balance
		Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss	107,664,463.13	152,501,247.74		3,369,852.46	34,551,161.13	114,580,234.15	142,215,624.26

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Item	Opening balance	Amount for the current period					Closing balance
		Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)	
Including: Changes as a result of remeasurement of defined benefit plan	-4,168,753.80						-4,168,753.80
Other comprehensive income accounted for using the equity method which will not be reclassified subsequently to profit and loss	532,404.28	-361,500.00			-78,035.57	-283,464.43	454,368.71
Changes in fair value of other equity instrument investments	111,300,812.65	152,862,747.74		3,369,852.46	34,629,196.70	114,863,698.58	145,930,009.35
II. Items that may be reclassified subsequently to profit or loss	28,295,118.70	-363,958,991.06	90,962,215.60	11,739,688.78	-100,486,700.88	-366,174,194.56	-72,191,582.18
Including: other comprehensive income accounted for using equity method which will be reclassified into profit or loss	195,000.40	-124,455.70			-29,117.04	-95,338.66	165,883.36

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Item	Opening balance	Amount for the current period					Closing balance
		Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)	
Gains arising from changes in fair value of available-for-sale financial assets	668,591.67						668,591.67
Effective part of gains and losses on cash flow hedging	10,959,583.84	221,890,047.71	90,962,215.60	11,739,688.78	25,728,671.87	93,459,471.46	36,688,255.71
Exchange differences on translation of foreign currency financial statements	16,471,942.79	-585,724,583.07			-126,186,255.71	-459,538,327.36	-109,714,312.92
Total other comprehensive income	135,959,581.83	-211,457,743.32	90,962,215.60	15,109,541.24	-65,935,539.75	-251,593,960.41	70,024,042.08

52. Special reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Remark
Safety expenses	10,469,548.23	27,304,942.34	23,945,303.48	13,829,187.09	
Funds for maintaining simple reproduction	379,291.71	1,594,617.12	48,983.10	1,924,925.73	
Sinking and driving engineering cost	64,459.54			64,459.54	
Environmental restoration and governance deposit	136,424.38			136,424.38	
Development funds for switching to other production	812,371.22			812,371.22	
Total	11,862,095.08	28,899,559.46	23,994,286.58	16,767,367.96	

53. Surplus reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	35,374,567.93			35,374,567.93
Total	35,374,567.93			35,374,567.93

54. Undistributed profits

Item	Amount for the current period
Undistributed profits at the end of the prior period before adjustment	5,261,453,365.96
Adjusting the total undistributed profits at the beginning of the period (Increase +, Decrease -)	-145,844.19
Undistributed profits at the beginning of year after the adjustment	5,261,307,521.77
Add: Net profit attributable to equity holders of the Company for the period	2,688,524,669.50
Less: Appropriation to statutory surplus reserve	
Appropriation to discretionary surplus reserve	

Appropriation to general risk reserve	
Declaration of dividends on ordinary shares	59,296,388.92
Conversion of ordinary shares' dividends into share capital	
Others	-95,153.00
Undistributed profits at the end of the period	7,890,630,955.35

55. Operating income and operating costs

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal operation	77,793,651,085.59	55,143,862,082.39	34,357,826,685.32	27,120,032,840.86
Other operation	395,892,505.00	282,097,747.28	176,901,612.32	128,210,008.17
Total	78,189,543,590.59	55,425,959,829.67	34,534,728,297.64	27,248,242,849.03

56. Taxes and surcharges

Item	Amount for the current period	Amount for the prior period
Business tax	97,728,465.87	61,150,032.69
Urban maintenance and construction tax	90,958,627.12	54,006,062.03
Stamp duty	70,417,775.56	31,797,305.67
Education surcharges	39,442,094.89	23,498,896.48
Land use tax	37,198,173.94	31,403,571.06
Consumption tax	36,707,446.11	
Resources tax	32,787,055.21	24,175,132.01
House property tax	28,046,540.08	19,793,843.29
Environmental protection tax	26,757,717.39	24,195,550.92
Local education surcharges	26,292,332.41	15,665,859.66
Innovation contribution tax	14,708,696.98	5,507,397.85
Property tax	4,272,850.11	4,336,028.70
Water resources tax	1,223,305.14	1,121,884.02
Vehicle and vessel use tax	34,622.60	28,835.45

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Local water conservancy construction fund	10,393.54	814,495.95
Disabled employment security fund	2,508.00	2,376.00
Others	15,640,404.32	15,732,122.14
Total	522,229,009.27	313,229,393.92

57. Selling and distribution expenses

Item	Amount for the current period	Amount for the prior period
Logistics expenses	1,658,171,803.07	1,159,544,474.37
Staff cost	295,528,174.67	229,041,854.48
Sales commission and consulting fees	67,008,995.25	53,696,280.04
Travelling expenses	27,543,063.13	22,463,407.10
Business expenses	10,185,495.14	295,837.70
Rental and property management fee	3,518,173.14	3,577,445.30
Advertising expenses	3,318,882.87	401,770.36
Business entertainment fee	2,951,372.23	10,175,825.91
Handling cost	1,894,177.68	16,737,705.94
Depreciations	1,837,344.26	1,998,026.85
Repairs expense	1,587,271.98	851,920.12
Storage cost	1,434,588.86	1,204,765.52
Insurance fee	1,026,185.20	369,107.82
Office expenses	1,019,941.24	1,968,857.72
Others	154,648,695.10	130,061,739.72
Total	2,231,674,163.82	1,632,389,018.95

58. General and administrative expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	628,157,603.74	413,622,280.36
Depreciations	87,203,486.27	86,178,310.09
Information cost	44,082,082.59	23,110,904.80
Material consumption	40,873,581.26	27,260,766.70

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Labor protection fees	34,959,321.00	88,921.14
Amortisation of intangible assets	25,780,993.51	23,122,300.00
Rent and property management fee	25,283,950.28	22,819,842.77
Consulting fee	18,151,745.39	16,640,170.31
Insurance fee	15,856,926.15	21,547,680.70
Business entertainment fee	13,328,723.34	11,564,826.00
Travel expenses	12,693,062.61	14,033,079.23
Audit fee	10,017,075.77	6,996,329.15
Repairs expense	7,750,436.51	2,614,327.51
Safety and environmental protection fee	6,483,017.37	522,033.05
Labour costs	3,862,395.80	31,747,336.94
Office expenses	3,387,655.07	2,549,430.63
Retirement funds	3,271,830.90	3,483,591.56
Service fee	2,790,751.01	2,839,280.21
Service fees of specialist agency	2,440,472.68	1,219,237.48
Electricity charges	1,819,834.21	2,961,396.73
Transportation fee	1,552,771.59	49,703.08
Legal costs	1,323,117.92	201,734.88
Others	96,548,050.11	72,984,134.77
Total	1,087,618,885.08	788,157,618.09

59. Research and development expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	585,754,837.58	387,320,957.40
Depreciations	412,987,486.43	347,090,206.24
Material consumption	159,100,539.62	141,978,476.54
Amortisations of intangible assets	68,676,475.98	64,895,866.74
Water, electricity & gas charges	40,249,582.64	30,706,629.02
Labour costs	10,311,198.51	4,640,441.82
Travel expenses	8,045,559.83	6,199,664.40

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Consulting fees	4,922,119.64	3,142,799.84
Technical service fee	4,543,531.75	1,639,375.80
Installation, processing and maintenance expenses	2,558,361.83	1,568,242.94
Indirect costs	2,341,505.20	855,641.85
Design fee	2,177,013.53	15,969.96
Others	82,455,134.37	39,728,646.39
Total	1,384,123,346.91	1,029,782,918.94

60. Financial expenses

Item	Amount for the current period	Amount for the prior period
Interest expenses	1,439,571,607.89	721,343,166.66
Less: Interest income	443,899,351.13	140,898,467.82
Exchange gains/losses	-26,450,815.92	6,842,803.82
Bank charges	3,724,409.11	3,931,929.49
Others	88,108,427.52	60,507,680.61
Total	1,061,054,277.47	651,727,112.76

61. Other income

Item	Amount for the current period	Amount for the prior period
Special fund for key industries support	101,153,401.16	400,899,097.72
Industrial upgrading subsidies	23,727,388.14	21,227,388.12
Awards for comprehensive utilisation of resources and energy-saving	31,168,532.93	14,273,261.40
Subsidies for industry revitalisation and comprehensive technology transformation projects	5,115,297.24	6,087,811.64
Industry support subsidies	5,494,102.72	4,745,750.22
Special subsidy for green manufacturing system integration project		4,239,600.00
Subsidies for labor employment, social security and stabilising posts		3,244,089.33
Funds from Miyun Finance Office		3,099,000.00

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Key technology of preparation and engineering of high performance differential meta-aramid fiber	3,981,559.20	2,353,101.95
Project of R22 replaced by R290 in medium and large scale cold brine unit for industrial refrigeration	2,499,173.40	2,326,816.62
Special subsidies for environmental protection	2,016,875.00	2,016,875.00
Integrated molding and engineering fabrication of fibrous energy storage devices		1,951,355.81
Special funds for optimisation of industrial structure	1,926,474.84	1,926,474.84
Infrastructure construction subsidy of Yantai Development Zone Finance Bureau		1,848,700.02
Special funds for improvement of key competitiveness of manufactory industry	5,313,333.36	1,784,583.36
Special fund from construction of two zones	1,512,605.04	1,512,605.04
Post financial subsidy for research & development expenses in 2019		1,188,600.00
Interest discount on loans for key industry technical transformation project	1,164,659.50	1,126,810.09
Incentive fund for promoting high quality development of Ningdong base		1,000,000.00
Subsidy funds for structural adjustment of industrial enterprises		1,000,000.00
Special fund for the development of high-tech enterprises in the autonomous region		1,000,000.00
Ocean Innovation Project	6,416,666.65	
Supporting expenditure for infrastructure in the park	4,140,000.00	
Subsidies for ecological and environmental renovation	2,600,000.00	
Fiscal subsidies	2,381,000.00	
Project of R22 replaced by refrigerant R513A in production line	1,742,798.86	
Key industries and comprehensive technology transformation projects	1,610,000.00	
Embedded Software Tax Refund	1,438,842.47	
Others	23,581,479.38	36,293,875.58
Total	228,984,189.89	515,145,796.74

62. Investment income

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Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	147,566,925.07	49,014,625.08
Gains on disposal of long-term equity investments	226,536,202.84	2,321,800.71
Gains on disposal of held-for-trading financial assets	14,572,172.57	6,193,292.56
Dividend income from other equity instruments during holding period (New standard applied)	11,612,580.70	12,211,368.70
Interest income from other debt investments during holding period (New standard applied)	5,943,882.34	8,363,319.42
Investment income from financial assets held for trading during holding period	2,086,836.65	
Investment income from debt investments during holding period (New standard applied)	458,541.50	
Investment income from financial assets measured at fair value through current profit or loss during holding period		1,583,000.17
Investment income from disposal of financial assets measured at fair value through profit or loss		86,343,055.01
Investment income from disposal of held-to-maturity investments		489,611.65
Investment income from available-for-sale financial assets and others		16,480.00
Investment income from disposal of available-for-sale financial assets		9,668,873.00
Others	2,747,436.86	4,057,463.16
Total	411,524,578.53	180,262,889.46

63. Gains from changes in fair values

Sources of gains on changes in fair value	Amount for the current period	Amount for the prior period
Financial assets held for trading	7,264,355.65	-2,994,730.64
Financial assets at fair value through profit or loss		-336,054.80
Total	7,264,355.65	-3,330,785.44

64. Credit impairment losses

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Item	Amount for the current period	Amount for the prior period
Impairment loss on accounts	-245,217,485.40	48,290,063.56
Total	-245,217,485.40	48,290,063.56

65. Impairment losses of assets

Item	Amount for the current period	Amount for the prior period
Impairment loss on engineering materials	-39,257,955.33	-48,245.89
Impairment losses on contract assets	-6,605,211.20	
Losses on decline in value of inventories	-3,159,093.20	-16,709,202.67
Impairment losses on fixed assets	-2,153,947.32	-1,452,586.14
Bad debt losses		8,050.00
Total	-51,176,207.05	-18,201,984.70

66. Gains on disposal of assets

Item	Amount for the current period	Amount for the prior period
Gains on disposal of non-current assets	2,559,546.35	1,122,354.01
Total	2,559,546.35	1,122,354.01

67. Non-operating income

Item	Amount for the current period	Amount for the prior period
Gains from long-term equity investment accounted by equity method	55,009,314.17	
Contract and insurance compensation	3,516,928.95	4,556,479.06
Income from other compensations	1,232,690.46	
Government grants not related to the ordinary course of business	707,897.32	475,622.81
Gains from damage or scrapping of non-current asset	645,633.60	196,402.42
Payables that cannot be paid due to creditors	390,060.86	
Income from fines	1,000.00	13,620.00

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Others	4,976,352.25	7,649,932.42
Total	66,479,877.61	12,892,056.71

68. Non-operating expenses

Item	Amount for the current period	Amount for the prior period
Losses from damage or scrapping of non-current assets	178,085,639.94	20,913,569.47
Donations to third parties	35,802,174.79	9,423,776.02
Loss from debt restructuring	1,264,706.49	260,138.50
Expenditure for compensation	1,099,442.30	
Amercement outlay	147,983.40	1,620,000.00
Overdue fine	10,530.38	932.11
Others	14,750,806.59	7,270,882.88
Total	231,161,283.89	39,489,298.98

69. Income tax expenses

Item	Amount for the current period	Amount for the prior period
Current tax expense	2,920,185,255.44	225,709,970.07
Deferred tax expense	-398,584,276.71	120,264,677.69
Total	2,521,600,978.73	345,974,647.76

70. Restricted ownership of asset and right of use

Item	Closing book value	Reasons to be restricted
Cash and bank balances	296,027,602.08	Deposits for issuing bank acceptance bills, deposit for letter of guarantee, etc.
Notes receivable	104,143,452.88	Pledged
Receivables financing	590,942,983.07	Bills pledged for opening acceptance bills and letter of credit
Fixed assets	59,148,059.41	Mortgaged for obtaining loans
Intangible assets	5,520,863.24	Mortgaged for obtaining loans
Investment in other equity instruments	887,785,780.57	Pledged for obtaining loans

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Investment in other equity instruments	45,195,202.07	Pledge guarantee
Other current assets	20,875,400.00	Share out bonus on pledged shares
Total	2,009,639,343.32	

VI. CONSOLIDATION SCOPE AND ITS CHANGES

Name of subsidiary	Consolidated subsidiary in 2020 (Yes/No)	Consolidated subsidiary for the six months ended 30 June 2021 (Yes/No)	Reasons for changes
Wanhua Industrial Group Co., Ltd.	Yes	Yes	
Wanhua Chemical Group Co., Ltd.	Yes	Yes	
Yantai Tayho Advanced Materials Co., Ltd.	Yes	Yes	
Yantai Moon Group Co., Ltd.	Yes	Yes	
Yantai Moon Holding Co., Ltd.	Yes	Yes	
Yantai Moon Investment Co., Ltd. (Note)	Yes	No	Equity replacement
Yantai Mingxiang Holdings Co., Ltd.	Yes	Yes	
Yantai Wanhua Synthetic Leather Group Co., Ltd.	Yes	Yes	
Yantai Guosheng Investment Management Co., Ltd.	Yes	Yes	
Yantai Guotai Chengfeng Asset Management Co., Ltd.	Yes	Yes	
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	Yes	Yes	
Yantai Offshore Engineering Investment Development Co., Ltd.	Yes	Yes	
Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.	Yes	Yes	
Oriental Aerospace Port (Shandong) Development Group Co., Ltd.	Yes	Yes	
Yantai Guofeng Junhe Trading Co., Ltd.	Yes	Yes	
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.	Yes	Yes	
Yantai Guoyuan Financial Leasing Co., Ltd.	Yes	Yes	
Yantai Tongju Private Placement	No	Yes	New subsidiary

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(Investment) Fund Management Co., Ltd.			
Yantai Linkong Economic Development Co., Ltd.	No	Yes	New subsidiary
Yantai Zhilu Zhike Investment Partnership (Limited Partnership)	No	Yes	New subsidiary
Yantai Guofeng Xinyao Supply Chain Management Co., Ltd.	Yes	No	Dissolution and Liquidation

Note: According to the “Reply on Issues Related to the Overall reform of Yantai Moon Group Co., Ltd. (Yan Zheng Zi (2019) No.33) issued by Yantai Municipal People’s government, it is necessary to implement the equity replacement in order to complete the deepening reform of Yantai Moon Group Co., Ltd.

Guofeng Group originally held 52% equity interest of Yantai Moon Investment Co., Ltd. (hereinafter referred to as “Moon Investment Company”) and Moon Holding Company before replacement; Yantai Yuanhong Industrial Co., Ltd. exchanged its 48% equity interest of Moon Holding Company (corresponding to 49,339,526 shares of Moon Environment) for 52% equity interest of Moon Investment Company held by Guofeng Group (corresponding to 49,339,526 shares of Moon Environment); the equity replacement is equivalent. After the equity replacement, Guofeng Group would hold 100% equity interest of the Moon Holding Company and no longer hold the Moon Investment Company.

VII. INTERESTS IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the Group:

Name of significant subsidiary	Main location	Registration location	Operation nature	Proportion (%)		Method of getting the subsidiary
				Direct	Indirect	
Wanhua Chemical Group Co., Ltd.	China	Yantai	Manufacturing	21.59		Obtained by transfer
Wanhua Industrial Group Co., Ltd.	China	Yantai	Manufacturing	39.497		Obtained by transfer

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Yantai Tayho Advanced Materials Co., Ltd.	Yantai	Yantai	Manufacturing	20.5	Obtained by transfer
Yantai Moon Group Co., Ltd.	Yantai	Yantai	Manufacturing	52.00	Obtained by transfer
Yantai Moon Holding Co., Ltd.	Yantai	Yantai	Service	100.00	Obtained by transfer
Yantai Mingxiang Holdings Co., Ltd.	Yantai	Yantai	Manufacturing	52.00	Obtained by transfer
Yantai Wanhua Synthetic Leather Group Co., Ltd.	Yantai	Yantai	Manufacturing	100.00	Obtained by transfer
Yantai Guosheng Investment Holding Co., Ltd.	Yantai	Yantai	Service	100.00	Obtained by transfer
Yantai Guotai Chengfeng Asset Management Co., Ltd.	Yantai	Yantai	Service	100.00	Established by investment
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	Yantai	Yantai	Service	100.00	Established by investment
Yantai Offshore Engineering Investment Development Co., Ltd.	Yantai	Yantai	Service	100.00	Established by investment
Oriental Aerospace Port (Shandong) Development Group Co., Ltd.	Yantai	Yantai	Business services	51.00	Established by investment
Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.	Yantai	Yantai	Business services	40.00	Established by investment
Yantai Guoyuan Financial Leasing Co., Ltd.	Yantai	Yantai	Service	51.00	Established by investment
Yantai Guofeng Junhe Trading Co., Ltd.	Yantai	Yantai	Wholesaling	51.00	Established by investment
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.	Yantai	Yantai	Retail	51.00	Established by investment
Yantai Tongju Private Placement (Investment) Fund Management Co., Ltd.	Yantai	Yantai	Capital market Services	100.00	Established by investment
Yantai Linkong Economic Development Co., Ltd.	Yantai	Yantai	Land Management	40.00	Established by investment
Yantai Zhilu Zhike	Yantai	Yantai	Finance	99.98	Established by

Investment Partnership (Limited Partnership)						investment
Yantai Ishikawa Sealing Technology Co., Ltd.	Yantai	Yantai	Manufacturing		47.93	Obtained by transfer
Moon Environment Technology Co., Ltd.	Yantai	Yantai	Manufacturing		23.3955	Obtained by transfer

(2) Significant non-wholly owned subsidiaries:

Name of subsidiary	Proportion of minority interest (%)	Profit and loss attribut- able to minority interest	Dividends declared to be distributed to minority interest in the period	Closing balance of minority interest
Wanhua Chemical Group Co., Ltd.	78.41	10,858,974,444.61	3,467,084,803.28	48,185,704,131.91
Yantai Tayho Advanced Materials Co., Ltd.	79.50	432,606,051.99	409,709,677.63	3,213,955,027.70
Wanhua Industrial Group Co., Ltd.	60.503	17,893,770.55		3,020,270,083.23

(3) Financial information in significant not-wholly-owned subsidiaries:

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Chemical Group Co., Ltd.	63,743,888,633.70	103,558,727,130.55	167,302,615,764.25	88,248,793,112.75	18,386,513,159.18	106,635,306,271.93
Yantai Tayho Advanced Materials Co., Ltd.	3,962,390,015.52	3,045,956,233.78	7,008,346,249.30	1,931,170,987.89	1,162,141,870.81	3,093,312,858.70
Wanhua Industrial Group Co., Ltd.	1,781,726,022.60	4,012,297,138.90	5,794,023,161.50	462,968,032.57	339,120,707.11	802,088,739.68

(Continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

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Wanhua Chemical Group Co., Ltd.	40,526,421,976.10	93,226,247,412.37	133,752,669,388.47	68,133,901,472.39	13,967,994,159.12	82,101,895,631.51
Yantai Tayho Advanced Materials Co., Ltd.	3,423,158,609.81	2,810,412,709.02	6,233,571,318.83	1,418,030,844.58	909,283,192.12	2,327,314,036.70
Wanhua Industrial Group Co., Ltd.	1,698,260,202.29	4,220,658,423.84	5,918,918,626.13	629,332,309.76	337,885,960.35	967,218,270.11

Name of subsidiary	Amount for the period			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	67,657,002,326.63	13,780,187,329.94	13,360,119,494.06	11,085,244,968.33
Yantai Tayho Advanced Materials Co., Ltd.	2,125,795,321.53	522,884,883.07	522,884,883.07	477,697,057.18
Wanhua Industrial Group Co., Ltd.	426,953,098.51	29,575,013.72	29,575,013.72	251,158,308.50

(Continued)

Name of subsidiary	Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	30,906,682,479.80	3,027,054,312.01	3,215,176,591.71	6,289,469,001.85
Yantai Tayho Advanced Materials Co., Ltd.	1,089,154,489.69	129,148,133.04	129,148,133.04	168,288,759.31
Wanhua Industrial Group Co., Ltd.	606,460,159.90	115,077,773.38	115,077,773.38	110,814,788.14

(4) There are no significant limitations on use of the group assets and pay off the group debts.

(5) There is no financial or other support provided to structured entities included in consolidated financial statements.

(6) There is no other description of equity in subsidiaries.

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates:

Name of joint ventures or associates	Main location	Registration location	Operation nature	Proportion (%)		Accounting method
				Direct	Indirect	
I. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	China	Yantai	Service		50.00	Equity method
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	China	Ningbo	Manufacturing		55.00	Equity method
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai	Yantai	Manufacturing		45.00	Equity method
II. Associates						
Yantai Bulk Commodity Exchange Center (Note 3)	China	Yantai	Service		20.00	Equity method
Yantai Wanhua Chlor-Alkali Co., Ltd. (Note 4)	China	Yantai	Manufacturing		20.00	Equity method
Linde Gas (Yantai) Co., Ltd. (Note 5)	China	Yantai	Manufacturing		10.00	Equity method

Note 1: The original registration capital of Yantai Harbor Wanhua Industrial Park Port Co., Ltd. was RMB 120,000,000.00, for which Wanhua Chemical holds 50% of shares. According to the articles of association, the board of directors is composed of seven directors, among which Wanhua Chemical has three directors. Major matters of Yantai Harbor Wanhua Industrial Park Port Co., Ltd. shall be passed with the consent of at least two thirds of the directors, therefore, it is a joint venture which is being jointly controlled and thus equity method is adopted. In 2015, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 320,000,000.00, in which Wanhua Chemical added investments by RMB100,000,000.00 in cash, with the shareholding proportion unchanged, still being 50%. In 2018, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 520,000,000.00, in which Wanhua Chemical added investments by RMB100,000,000.00 in cash with the shareholding proportion unchanged, still being 50%.

Note 2: Ningbo Xiebei Thermal Power Co., Ltd. was jointly invested by Wanhua Thermal Power (a subsidiary of Wanhua Chemical) and Hong Kong Liwan Group Co.,

Ltd., Wanhua Thermal Power holds 55% equity of the Company. According to the articles of association of Ningbo Xiebei Thermal Power Co., Ltd, the board of directors consists of five directors, including three directors assigned by the Group. Resolutions are entered into force upon agreement of two thirds of directors, therefore, it is accounted as a joint venture using equity method as it is jointly controlled by both parties.

Note 3: The registered capital of Yantai Bulk Commodity Exchange Center is RMB 50,000,000.00, and Wanhua Chemical holds 20% of equity interests. According to the articles of association, the board of directors is composed of five directors, among which Wanhua Chemical has one directors. Therefore, the Company can exert significant influence over the operating policy decisions and thus equity method is adopted.

Note 4: The registered capital of Yantai Wanhua Chlor-Alkali Co., Ltd. is RMB 44,000,000.00, and Wanhua Chemical holds 20% of equity interests. According to the articles of association, the board of directors is composed of five directors, and Yantai Xinyuan Investment Co., Ltd., a subsidiary of Wanhua Chemical, appoints two directors. Therefore, it has a significant impact on the company's business decisions, and thus equity method is adopted.

Note 5: Linde Gas (Yantai) Co., Ltd. is a joint venture co-founded by Linde Gas (Hong Kong) Co., Ltd. and Wanhua Chemical; Wanhua Chemical holds 10% of equity interest. According to the Articles of the Linde Gas, the board of directors consists of five directors, one of which is appointed by Wanhua Chemical, therefore Wanhua Chemical can exert significant influence over the operating policy decisions and thus equity method is adopted.

(2) Financial information in significant joint ventures:

	Closing balance / Amount for the period
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	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Hyundai MOON Heavy Industry Co., Ltd.
Current assets	240,513,245.12	200,767,146.24	230,765,943.35
Non-current assets	3,118,309,321.41	651,039,787.14	115,381,194.47
Total assets	3,358,822,566.53	851,806,933.38	346,147,137.82
Current liabilities	142,917,530.72	427,697,739.60	46,336,884.28
Non-current liabilities	1,648,083,012.99		12,237,039.08
Total liabilities	1,791,000,543.71	427,697,739.60	58,573,923.36
Minority interests			
Equity attributable to equity holders of the Company	1,567,822,022.82	424,109,193.78	287,573,214.46
Share of net asset calculated by share-holding proportion	783,911,011.41	233,260,056.58	133,074,269.93
Adjustments			
--Goodwill			
--Unearned profits from internal transactions			
--Others			
Book value of equity investment in associates	783,911,011.41	233,260,056.58	133,074,269.93
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Operating income	279,122,711.99	428,123,438.59	211,457,731.75
Net profit	83,625,963.88	105,680,893.62	6,028,006.18
Net profit from discontinued operations			
Other comprehensive income			-239,101.74
Total comprehensive income	83,625,963.88	105,680,893.62	5,788,904.44
Dividends received from joint ventures in the current period		46,750,000.00	

(3) Main financial information in significant associates:

	Closing balance / Amount for the period	
	Linde Gas (Yantai) Co., Ltd.	Yantai Wanhua Chlor-Alkali Co., Ltd.
Current assets	207,705,925.83	214,742,040.06
Non-current assets	1,557,749,787.59	715,469,454.29
Total assets	1,765,455,713.42	930,211,494.35
Current liabilities	236,348,234.68	31,523,851.80
Non-current liabilities	465,990,298.85	211,376,117.00
Total liabilities	702,338,533.53	242,899,968.80
Minority interests		
Equity attributable to equity holders of the Company	1,063,117,179.89	687,311,525.55
Share of net asset calculated by share-holding proportion	106,311,717.99	137,462,305.11
Adjustments		

--Goodwill		
--Unearned profits from internal trans-actions		
--Others		
Book value of equity investment in associates	106,311,717.99	137,462,305.11
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A
Operating income	486,561,739.29	15,074,368.71
Net profit	34,712,218.17	20,390,684.73
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	34,712,218.17	20,390,684.73
Dividends received from joint ventures in the current period		5,889,805.00

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The Parent of the Company

The Company's ultimate controlling party is Yantai SASAC. The proportion of shares held by the controlling shareholder is 100% and the proportion of voting rights is 100%.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VII. 1.

3. Associates and joint ventures of the Company

Please refer to Note VII. 2 for significant associates and joint ventures of the Company.

Details of joint ventures or associates having related party transactions with the Company during the period, or balances with the Company during the prior period:

Name of joint ventures or associates	Relationship with the Company
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Joint venture of subsidiary
Ningbo Xiebei Thermal Power Co., Ltd.	Joint venture of sub-subsidiary
Yantai Tayho Engineering Materials Co., Ltd.	Joint venture of subsidiary
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Joint venture of sub-subsidiary
COFCO Barrel Production (Yantai) Co., Ltd.	Joint venture of subsidiary
Shaanxi Chengxin Construction Supervision Co., Ltd.	Associate of subsidiary
Hualu Engineering & Technology Co., Ltd.	Associate of subsidiary
Fujian Southeast Electrochemical Co., Ltd.	Associate of subsidiary
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of sub-subsidiary
Linde Gas (Yantai) Co., Ltd.	Associate of subsidiary
Yantai Huali Thermoelectricity Supply Co., Ltd.	Associate of subsidiary
Yantai Wanhua Nonwovens Co., Ltd.	Associate of subsidiary
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Associate of subsidiary
Wanhua EnergySav Science & Technology Group Co., Ltd.	Associate of subsidiary
Cabero Heat Exchanger Yantai Co., Ltd.	Associate of sub-subsidiary
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Associate of sub-subsidiary
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	Associate of sub-subsidiary
Linyi Smart New Energy Technology Co., Ltd.	Associate of sub-subsidiary
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Associate of sub-subsidiary
Beijing Electrical Controller Intelligent Energy Co., Ltd.	Associate of sub-subsidiary
Wanhua Hexiang Eco-Technology Co., Ltd.	Associate of subsidiary

4. Other related parties

Other related parties	Relationship between other related parties and the company
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Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Company where a nature person associated with the Company acts as a director
Yantai Wanhua Micro Fibre Co., Ltd.	Subsidiary's invested company
Yantai Wanhua Chengda Chemical Co., Ltd.	Subsidiary of sub-subsidiary's associate
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua Building Technology Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua New Materials Co., Ltd.	Subsidiary of subsidiary's associate
Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua Eco-technology (Yantai) Co., Ltd.	Subsidiary of subsidiary's associate
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Controlled by an executive of sub-subsidiary
Shenhua Heat Exchanger Equipment (Linyi) Co., Ltd.	Controlled by an executive of sub-subsidiary
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Controlled by an associate of sub-subsidiary
Linyi Dalin Foodstuffs Co., Ltd.	Shareholder of sub-subsidiary
Japan's Ishikawa Sealing Gasket Co., Ltd.	Shareholder of sub-subsidiary

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services:

1) Purchase of goods / receipt of services:

Related party	Types of related party transaction	Amount for the current period	Amount for the prior period
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Receipt of services	179,251,274.53	99,000,760.82

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Yantai Wanhua Chlor-Alkali Co., Ltd.	Receipt of services	1,417,172.58	1,417,172.58
Yantai Huali Thermoelectricity Supply Co., Ltd.	Purchase of materials /Receipt of services	6,353,813.30	5,646,913.44
Linde Gas (Yantai) Co., Ltd.	Purchase of materials	366,692,587.94	169,124,219.46
Ningbo Xiebei Thermal Power Co., Ltd.	Purchase of materials /Receipt of services	40,641,452.43	42,498,336.94
Shaanxi Chengxin Construction Supervision Co., Ltd.	Purchase of materials /Receipt of services	4,319,756.61	
Hualu Engineering & Technology Co., Ltd.	Purchase of materials /Receipt of services	299,565,956.40	
Fujian Southeast Electrochemical Co., Ltd.	Purchase of materials /Receipt of services	287,056,264.42	
COFCO Barrels (Yantai) Co. Ltd.	Purchase of materials /Receipt of services	6,455,394.77	
Yantai Wanhua Nonwovens Co., Ltd.	Purchase of materials /Receipt of services	707,791.64	
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Purchase of materials /Receipt of services	1,446,788.99	
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Purchase of materials /Receipt of services	71,267,497.31	
Wanhua Building Technology Co., Ltd.	Purchase of materials /Receipt of services	203,197.00	
Yantai Tayho Engineering Materials Co., Ltd.	Purchase of oiling agent	4,369,253.14	6,576,811.43
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Receipt of maintenance services	814,815.00	200,236.74
Wanhua New Materials Co., Ltd.	Purchase of goods	916,820.16	8,761.06
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Purchase of goods	24,454,577.98	10,835,424.78
Linyi Smart New Energy Technology Co., Ltd.	Purchase of goods	1,784,525.45	
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Purchase of goods		26,548.67
Cabero Heat Exchanger Yantai Co., Ltd.	Purchase of goods	23,593,411.50	18,651,963.53
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Purchase of goods	969,183.56	428,495.57
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Purchase of goods	8,185,592.43	2,415,752.21

Japan's Ishikawa Sealing Gasket Co., Ltd.	Purchase of goods	398,874.21	879,577.39
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2) Sales of goods / provision of services:

Related party	Types of related party transaction	Amount for the current period	Amount for the prior period
COFCO Barrel Production (Yantai) Co., Ltd.	Sales of goods / Provision of services	22,405,516.13	
Wanhua EnergySav Science & Technology Group Co., Ltd.	Sales of goods / Provision of services	117,689,975.23	
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Sales of goods / Provision of services	10,577,054.14	
Wanhua Building Technology Co., Ltd.	Sales of goods / Provision of services	6,136.85	
Wanhua New Materials Co., Ltd.	Sales of goods / Provision of services	3,563,911.52	1,086,783.19
Yantai Wanhua Chengda Chemical Co., Ltd.	Sales of goods / Provision of services	128,919.74	
Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Sales of goods / Provision of services	40,805,170.42	10,417,650.64
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Sales of goods / Provision of services	41,097,902.52	21,402,252.87
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Sales of goods / Provision of services	39,541,324.29	
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Sales of goods / Provision of services	37,662,889.13	9,918,276.99
Wanhua Eco-technology (Yantai) Co., Ltd.	Sales of goods / Provision of services	239,606,945.04	155,505,815.75
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Sales of goods / Provision of services		280,754.72
Linde Gas (Yantai) Co., Ltd.	Sales of goods / Provision of services	331,424,270.58	177,784,198.28
Ningbo Xiebei Thermal Power Co., Ltd.	Sales of goods / Provision of services	208,784,179.29	177,394,557.38
Fujian Southeast Electrochemical Co., Ltd.	Sales of goods / Provision of services	19,986,514.20	
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods / Provision of services		20,645.58
Yantai Tayho Engineering Materials Co., Ltd.	Sales of goods	115,886.73	368,015.00

*NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Jinan Shenhua Refrigeration Equipment Co., Ltd.	Sales of goods		23,009.09
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Sales of goods	3,373,624.78	4,260,066.27
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Sales of goods / Provision of services	6,278,657.52	
Linyi Smart New Energy Technology Co., Ltd.	Sales of goods / Provision of services	181,540.35	
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Sales of goods	479,203.54	
Beijing Electrical Controller Intelligent Energy Co., Ltd.	Sales of goods	187,964.60	
Linyi Dalin Foodstuffs Co., Ltd.	Sales of goods	3,756,371.69	
Japan's Ishikawa Sealing Gasket Co., Ltd.	Sales of goods	1,017,802.06	579,853.11

Description of related party transactions related to purchase and sales of goods, provision and receipt of services:

The pricing of the transactions is in accordance with the general service agreements, product purchase and sales contracts and other supplementary agreement signed between subsidiaries and the related parties. Each subsidiary enters into comprehensive written agreements with related parties on the premise of following the principles of equality, voluntariness, equal value and compensation.

(2) Leases with related parties:

Operating leases where the Company is the lessor:

Name of lessee	Type of leased assets	Leasing income recognised in the current period	Leasing income recognised in the prior period
Linde Gas (Yantai) Co., Ltd.	Land	4,994,475.05	1,216,131.00
Ningbo Xiebei Thermal Power Co., Ltd.	pipe rack	225,000.00	225,000.00
Yantai Tayho Engineering Materials Co., Ltd.	Buildings	370,137.74	381,164.86
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Lease of some office buildings	156,140.37	156,140.37

Operating leases where the Company is the lessee:

Name of lessor	Type of leased assets	Leasing expense recognised in the current period	Leasing expense recognised in the prior period
Fujian Southeast Electrochemical Co., Ltd.	Buildings	885,000.00	

(3) Guarantees by related parties:

The Company as a guarantor:

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	80,000,000.00	4 April 2018	3 April 2025	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	37,020,646.55	30 December 2018	18 December 2026	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	223,250,000.00	9 April 2019	8 April 2027	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	84,070,000.00	20 May 2019	19 May 2022	No
Wanhua Industry	Wanhua EnergySav Science & Technology Group Co., Ltd. (Note 2)	40,000,000.00	25 December 2015	25 December 2030	No
Wanhua Industry	Wanhua EnergySav Science & Technology Group Co., Ltd. (Note 2)	62,500,000.00	29 April 2019	28 April 2022	No
Wanhua Industry	Wanhua New Materials Co., Ltd. (Note 3)	132,884,200.00	1 February 2021	31 January 2023	No

Note 1: Yantai Harbor Wanhua Industrial Park Port Co., Ltd., all with its assets, provides counter-guarantee for Wanhua Chemical, undertaking joint and several liability. This counter-guarantee equals the total guaranteed amount of Wanhua Chemical.

Note 2: Wanhua EnergySav Science & Technology Group Co., Ltd. provides counter-

guarantee for Wanhua Industry with 100% equity pledge of Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd. and mortgage of 69 sets (units) of equipment, undertaking joint and several liability.

Note 3: Other shareholders of Wanhua New Material Co., Ltd. provide counter-guarantee for Wanhua Industry with the equity pledge of Wanhua New Material Co., Ltd., undertaking joint and several liability.

(4) Borrowings / loans with related parties:

Related Party	Amount of borrowing / loan	Inception date of borrowings	Expiration date	Notes
Lend to				
Wanhua Hexiang Eco-Technology Co., Ltd.	236,500,000.00	26 April 2019	21 September 2026	Entrusted loan with an annual interest rate of 4.90%

(5) Assets transfer / debt restructuring with related parties:

Related Party	Contents of related transactions	Amount for the current period	Amount for the prior period
Fujian Southeast Electrochemical Co., Ltd.	Purchase of fixed assets	49,846,971.00	
Fujian Southeast Electrochemical Co., Ltd.	Purchase of intangible assets	148,890,321.84	

(6) Other related party transactions:

There were no other related party transactions.

6. Amounts due from / to related parties

(1) Amounts due from related parties:

Item	Related party	Closing book balance	Opening book balance
Accounts receivable	Fujian Southeast Electrochemical Co., Ltd.	19,142,233.00	
Accounts receivable	Linde Gas (Yantai) Co., Ltd.	2,778,351.61	
Accounts receivable	Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	468,500.00	160,100.00

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Accounts receivable	Wanhua Building Technology Co., Ltd.	11,811.66	24,243.75
Accounts receivable	Yantai Wanhua Chlor-Alkali Co., Ltd.	551,025.00	551,025.00
Accounts receivable	Ningbo Xiebei Thermal Power Co., Ltd.	53,575,711.51	55,707,912.48
Accounts receivable	Yantai Tayho Engineering Materials Co., Ltd.		156,080.70
Accounts receivable	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	1,653,032.95	1,587,601.58
Accounts receivable	Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	472,150.00	
Accounts receivable	Yantai Hyundai MOON Heavy Industry Co., Ltd.	652,000.00	
Accounts receivable	Japan's Ishikawa Sealing Gasket Co., Ltd.	513,907.65	274,025.33
Notes receivable	Yantai Tayho Engineering Materials Co., Ltd.		57,630.00
Prepayments	Hualu Engineering & Technology Co., Ltd.	40,976,902.16	
Prepayments	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	22,712,043.17	
Prepayments	Yantai Wanhua EnergySav Science & Technology Co., Ltd.	384,000.00	
Prepayments	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	9,483,584.00	4,040,328.00
Prepayments	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	1,057,520.00	1,057,520.00
Prepayments	Jinan Shenhua Refrigeration Equipment Co., Ltd.		7,280.00
Contract assets	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	42,500.00	42,500.00
Dividend receivable	Ningbo Xiebei Thermal Power Co., Ltd.		26,950,000.00
Interest receivable	Wanhua Hexiang Eco-Technology Co., Ltd.		26,695,408.62
Other receivables	Ningbo Xiebei Thermal Power Co., Ltd.	5,889,805.00	
Other receivables	Yantai Wanhua Micro Fibre Co., Ltd.		91,691,871.92
Other current assets	Wanhua Hexiang Eco-Technology Co., Ltd.		279,500,000.00

(2) Amounts due to related parties:

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Item	Related party	Closing book balance	Opening book balance
Accounts payable	Linde Gas (Yantai) Co., Ltd.	8,284,160.92	11,749,786.70
Accounts payable	Yantai Huali Thermoelectricity Supply Co., Ltd.	1,290,462.37	986,460.91
Accounts payable	Fujian Southeast Electrochemical Co., Ltd.	469,234,244.06	
Accounts payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	152,576,232.22	50,353,977.94
Accounts payable	COFCO Barrel Production (Yantai) Co., Ltd.		6,514,770.86
Accounts payable	Wanhua Building Technology Co., Ltd.	2,076,232.44	515,308.00
Accounts payable	Hualu Engineering & Technology Co., Ltd.	106,651,096.90	
Accounts payable	Shaanxi Chengxin Construction Supervision Co., Ltd.	118,860.00	
Accounts payable	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	3,716,033.73	
Accounts payable	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	216,341.89	380,691.89
Accounts payable	Yantai Tayho Engineering Materials Co., Ltd.		4,718,864.00
Accounts payable	Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	234,790.00	493,669.00
Accounts payable	Beijing Hunshang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	107,500.00	107,500.00
Accounts payable	Beijing Electrical Controller Intelligent Energy Co., Ltd.	1,455,683.35	1,455,683.55
Accounts payable	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.		39,277.22
Accounts payable	Shenhua Heat Exchanger Equipment (Linyi) Co., Ltd.		188,840.72
Accounts payable	Cabero Heat Exchanger Yantai Co., Ltd.	804,910.00	7,530,661.81
Accounts payable	Jinan Shenhua Refrigeration Equipment Co., Ltd.	137,200.00	477.87
Accounts payable	Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	93,203.88	2,330,357.62
Accounts payable	Japan's Ishikawa Sealing Gasket Co., Ltd.	47,865.64	134,309.91
Notes payable	Jinan Shenhua Refrigeration Equipment Co., Ltd.		961,500.00
Notes payable	Cabero Heat Exchanger Yantai Co., Ltd.	33,150,775.00	37,529,608.00
Contract liabilities	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	114,692.81	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Contract liabilities	Yantai Wanhua Chengda Chemical Co., Ltd.	884,955.75	796,821.84
Contract liabilities	COFCO Barrel Production (Yantai) Co., Ltd.	8.85	
Contract liabilities	Wanhua Eco-technology (Yantai) Co., Ltd.	13,415,810.50	21,035,408.66
Contract liabilities	Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	2,412,176.61	1,016,203.30
Contract liabilities	Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	9,373,731.69	
Contract liabilities	Wanhua EnergySav Science & Technology Group Co., Ltd.	45,698,589.24	82,782.57
Contract liabilities	Wanhua New Materials Co., Ltd.	453,067.73	
Contract liabilities	Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	22,608.85	
Contract liabilities	Linyi Dalin Foodstuffs Co., Ltd.	2,485,525.00	186,055.97
Contract liabilities	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	39,823.01	39,823.01
Contract liabilities	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	234,179.65	192,595.58
Contract liabilities	Cabero Heat Exchanger Yantai Co., Ltd.	63,818.74	63,818.74
Contract liabilities	Yantai Hyundai MOON Heavy Industry Co., Ltd.	1,549,831.86	1,549,831.86
Other payables	Linde Gas (Yantai) Co., Ltd.	1,044,300.00	85,050.00
Other payables	Fujian Southeast Electrochemical Co., Ltd.	72,314,310.52	
Other payables	Hualu Engineering & Technology Co., Ltd.	669,878.84	
Other payables	Shaanxi Chengxin Construction Supervision Co., Ltd.	30,600.00	
Other payables	COFCO Barrel Production (Yantai) Co., Ltd.	2,300.00	
Other payables	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	15,300.00	12,950.00
Other payables	Wanhua Building Technology Co., Ltd.	52,500.00	17,900.00
Other payables	Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	8,600.00	3,850.00
Other payables	Yantai Wanhua Chlor-Alkali Co., Ltd.	2,038.34	1,640.00
Other payables	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	50.00	50.00
Other current liabilities	Linyi Dalin Foodstuffs Co., Ltd.	323,118.25	24,187.28

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the six months period ended 30 June 2021

Other current liabilities	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	5,176.99	5,176.99
Other current liabilities	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	30,443.35	25,037.42
Other current liabilities	Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	2,939.15	
Other current liabilities	Cabero Heat Exchanger Yantai Co., Ltd.	8,296.44	8,296.44
Other current liabilities	Yantai Hyundai MOON Heavy Industry Co., Ltd.	201,478.14	201,478.14

IX. COMMITMENTS OR CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Commitment for acquisition and construction of long-term assets	27,960,093	16,798,289
Total	27,960,093	16,798,289

(2) Other commitments

As at the balance sheet date, there were no other commitments of the Company that need to be disclosed.

2. Contingencies

(1) Guofeng Group provided guarantee to Yantai International Airport Group Co., Ltd. (hereinafter referred to as "Yantai International Airport") and Yantai Chaoshui Airport Construction Engineering Co., Ltd. for the rental cost of RMB 800 million, which is payable to Dao Sheng International Financial Leasing Co., Ltd. (hereinafter referred to as "Dao Sheng International"). The guarantee period is from 6 January 2016 to 6 January 2024. Meanwhile, Guofeng Group provides pledge guarantee for the rental cost of RMB 800 million, and pledge its 6 million shares of Yantai Changyu Group Co., Ltd.

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(accounting for 12% of the total shares of Yantai Changyu Group Co., Ltd.) to Dao Sheng International. In March 2016, the assignor Dao Sheng International and the assignee ABC Financial Leasing Co., Ltd. (hereinafter referred to as "ABC Finance") signed the Assignment Agreement of Leased Assets and Rental Interest Receivable (hereinafter referred to as "Assignment Agreement") with agreement number of ABC Lease Jin Zhuan Zi No.2016002. According to the Assignment Agreement, Dao Sheng International has transferred the ownership of lease receivables and other related rights, security interests and lease items under the main contract to ABC Finance on 31 March 2016. In 2020, according to the Supplementary Agreement of ABC Lease Jin Zhuan Zi [2016002] No. Bu-03, Yantai Chaoshui Airport Construction Engineering Co., Ltd. has been cancelled, and the lessee has been changed to Yantai International Airport, thus the guarantee object of Guofeng Group has been changed to Yantai International Airport. As at 30 June 2021, the balance of guarantee provided by Guofeng Group to external parties was RMB 500,267,020.57.

(2) Wanhua Chemical provided guarantee to Yantai Harbor Wanhua Industrial Park Port Co., Ltd. for no more than RMB 667.27 million borrowings and bears joint liability for repayment, the maturity date of the borrowing is 8 April 2027. Meanwhile, these guarantees are offered counter guarantee by Yantai Harbor Wanhua Industrial Park Port Co., Ltd. As at 30 June 2021, there was no significant guarantee liability.

(3) The contingent liabilities formed by Wanhua Industry in providing debt guarantee for other entities are detailed in Note VIII. 5 (3).

(4) Wanhua Synthetic Leather provided guarantee for borrowings of RMB 60 million to Yantai State-owned Assets Operation Co., Ltd. The borrowings are provided by Qishan Branch of Yantai Bank. The guarantee period is from 24 June 2020 to 23 June 2022. Meanwhile, Yantai State-owned Assets Operation Co., Ltd. with its six-floor plants (property right certificate No.: Yan Fang Quan Zheng Zhi Zi No.353310), located at No.28 Xingfu Middle Road, Zhifu District, provides counter-guarantee for Wanhua Synthetic Leather.

(5) In March 2020, Beijing Dejie Huitong Technology Co., Ltd. sued the Court of Yantai Development Zone on the ground that Wanhua Industry owed part of the share out bonus principal and overdue payment of the share out bonus caused its interest losses. It requested a judgment to order Wanhua Industry to pay RMB 138,590.00 of unpaid share out bonus principal and RMB 16,103,887.90 of interest losses caused by overdue payment of RMB 99,100,000.00 of share out bonus.

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non-adjusting event

There was no significant non-adjusting event after the balance sheet date.

2. Profit appropriation

There was no profit appropriation after the balance sheet date.

3. Sales return

There was no sales return after the balance sheet date.

4. Description of other events after the balance sheet date

There was no description of other events after the balance sheet date.

XI. OTHER SIGNIFICANT EVENT

There was no other significant event during the reporting period.

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable	5,200,000.00	

Other receivables	14,553,363,729.26	9,296,019,778.20
Total	14,558,563,729.26	9,296,019,778.20

(1) Dividends receivable

Item	Closing balance	Opening balance
Yantai Moon Group Co., Ltd.	5,200,000.00	
Total	5,200,000.00	

(2) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	9,628,349,553.48
1 to 2 years	1,569,774,440.00
2 to 3 years	649,843,670.78
3 to 4 years	
4 to 5 years	
Over 5 years	2,705,396,065.00
Total	14,553,363,729.26

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	14,553,218,599.53	9,295,904,648.47
Petty cash	138,429.73	108,429.73
Deposits	6,700.00	6,700.00
Total	14,553,363,729.26	9,296,019,778.20

3) There was no provision for bad debt in the period.

4) There were no write-off of other receivables in the reporting period.

5) Top 5 other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Company 17	Current accounts	8,854,040,000.00	Within 1 year	60.84	
Company 12	Current accounts	2,700,027,465.00	Over 5 years	18.55	
Company 13	Current accounts	760,000,000.00	1 to 2 years	5.22	
Company 14	Current accounts	740,000,000.00	1 to 2 years	5.08	
Company 15	Current accounts	649,841,331.05	2 to 3 years	4.47	
Total		13,703,908,796.05		94.16	

- 6) There were no other receivables related to government grants.
- 7) There were no other receivables derecognised due to the transfer of financial assets.
- 8) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

2. Long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Investments in subsidiaries	13,178,219,003.90		13,178,219,003.90	12,889,879,003.90		12,889,879,003.90
Investment in associates	142,502,519.59		142,502,519.59	142,205,230.39		142,205,230.39
Total	13,320,721,523.49		13,320,721,523.49	13,032,084,234.29		13,032,084,234.29

(1) Investments in subsidiaries:

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment loss	Closing balance for impairment losses
Wanhua	1,925,802,652.34			1,925,802,652.34		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the six months period ended 30 June 2021

Industrial Group Co., Ltd.						
Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.	1,200,000,000.00			1,200,000,000.00		
Wanhua Chemical Group Co., Ltd.	5,759,493,168.96			5,759,493,168.96		
Yantai Moon Holding Co., Ltd.	226,992,362.52	209,531,411.56		436,523,774.08		
Yantai Moon Investment Co., Ltd.	209,531,411.56		209,531,411.56			
Yantai Moon Group Co., Ltd.	96,796,517.10			96,796,517.10		
Oriental Aerospace Port (Shandong) Development Group Co., Ltd.	255,000,000.00	70,780,000.00		325,780,000.00		
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	10,000,000.00	10,000,000.00		20,000,000.00		
Yantai Guotai Chengfeng Asset Management Co., Ltd.	530,000,000.00			530,000,000.00		
Yantai Guofeng Junhe Trading Co., Ltd.	255,000,000.00	153,000,000.00		408,000,000.00		
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.	5,100,000.00	3,060,000.00		8,160,000.00		
Yantai Tayho Advanced Materials Group Co., Ltd.	561,004,858.48			561,004,858.48		

Yantai Guoyuan Financial Leasing Co., Ltd.	102,000,000.00			102,000,000.00		
Yantai Guosheng Investment Holding Co., Ltd.	812,021,373.90			812,021,373.90		
Yantai Wanhua Synthetic Leather Group Co., Ltd.	828,896,917.87			828,896,917.87		
Yantai Mingxiang Holdings Co., Ltd.	112,239,741.17			112,239,741.17		
Yantai Linkong Economic Development Co., Ltd.		48,000,000.00		48,000,000.00		
Yantai Tongju Private Placement (Investment) Fund Management Co., Ltd.		2,500,000.00		2,500,000.00		
Yantai Zhilu Zhike Investment Partnership (Limited Partnership)		1,000,000.00		1,000,000.00		
Total	12,889,879,003.90	497,871,411.56	209,531,411.56	13,178,219,003.90		

(2) Investment in associates:

Investee	Opening balance	Movement during the period				
		Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement
Yantai Polaris Co., Ltd.	1,248,809.95		1,248,809.95			
Yantai Guoxin Ruifeng Assets	39,957,653.10			2,236,391.58		

Management Co., Ltd.						
Shandong Yantai Dengying Assets Management Co., Ltd.	100,998,767.34			-1,523,592.43		
Yantai Yeda Science Technology Innovation Co., Ltd.		833,300.00				
Total	142,205,230.39	833,300.00	1,248,809.95	712,799.15		

(Continued)

Investee	Movement during the period			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
Yantai Polaris Co., Ltd.					
Yantai Guoxin Ruifeng Assets Management Co., Ltd.				42,194,044.68	
Shandong Yantai Dengying Assets Management Co., Ltd.				99,475,174.91	
Yantai Yeda Science Technology Innovation Co., Ltd.				833,300.00	
Total				142,502,519.59	

3. Investment income

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	969,885,884.10	881,094,050.20
Income from long-term equity investments under equity method	712,799.15	
Investment income from financial assets measured at fair value through current profit or		32,046,752.21

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.

For the six months period ended 30 June 2021

loss during holding period		
Gains on disposal of long-term equity investments	7,526,995.15	2,321,800.71
Others	10,939,287.01	475,117.82
Total	989,064,965.41	915,937,720.94

Yantai Guofeng Investment Holdings Group Co., Ltd.



23 September 2021



天 圆 全 会 计 师 事 务 所

TIANYUANQUAN CERTIFIED PUBLIC ACCOUNTANTS LLP

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邮政编码 (Postal Code): 100082

AUDITOR'S REPORT

Tianyuanquan Shen Zi [2021] No.000974

To Yantai Guofeng Investment Holdings Group Co., Ltd.

I. OPINION

We have audited the financial statements of Yantai Guofeng Investment Holdings Group Co., Ltd. (hereinafter referred to as "Guofeng Group"), which comprise the consolidated and the Company's statement of financial position as at 31 December 2020, the consolidated and the Company's statement of profit or loss and other comprehensive income, the consolidated and the Company's statement of cash flows and the consolidated and the Company's changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements attached are prepared and present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2020, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities

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in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. OTHER INFORMATION

Management of Guofeng Group is responsible for the other information. The other information comprises the information included in 2020 annual report of Guofeng Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Guofeng Group is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Guofeng Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Guofeng Group or to cease operations,

or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Guofeng Group's financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 of expressing an opinion on the effectiveness of the Group's 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 Guofeng Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtains up to the date of our auditor's report. However, future events or conditions may cause Guofeng Group 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 Guofeng Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

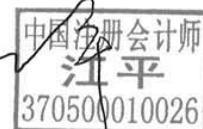
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Beijing, China

Chinese Certified Public Accountant:

Jiang Ping



Chinese Certified Public Accountant:

Gao Luqian



26 April 2021

Consolidated Statement of Financial Position

For the year ended 31 December 2020

Prepared by Yantai Qufeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	31 December 2020	31 December 2019
Current assets			
Cash and bank balances	V. 1	26,675,117,946.49	7,932,748,409.87
Financial assets held for trading	V. 2	791,264,957.06	962,909,325.86
Financial assets at fair value through profit or loss	V. 3	1,745,570,174.60	1,701,807,448.91
Derivative financial assets	V. 4	61,868,454.70	58,694,405.00
Notes receivable	V. 5	586,134,023.45	969,070,259.82
Accounts receivable	V. 6	8,620,693,930.24	6,172,212,508.84
Receivables financing	V. 7	5,273,656,586.51	3,971,731,006.53
Prepayments	V. 8	1,448,574,355.93	772,581,580.69
Other receivables	V. 9	6,442,335,434.44	6,369,297,270.38
Inventories	V. 10	9,986,530,089.63	10,029,043,148.16
Contract assets	V. 11	266,324,883.25	
Held-for-sale assets			11,217,184.31
Non-current assets due within one year	V. 12	43,000,000.00	
Other current assets	V. 13	1,797,860,613.72	1,580,231,497.59
Total current assets		63,738,931,450.02	40,531,544,045.96
Non-current assets			
Debt investments	V. 14	50,000.00	50,000.00
Available-for-sale financial assets	V. 15	7,230,599,566.35	4,803,871,435.69
Other debt investments			
Held-to-maturity investments			
Long-term receivables	V. 16	1,144,551,061.99	1,082,415,075.46
Long-term equity investments	V. 17	2,112,660,994.09	1,344,229,465.99
Investments in other equity instruments	V. 18	1,283,392,485.36	340,045,046.69
Other non-current financial assets	V. 19		484,642,567.63
Investment properties	V. 20	206,003,929.08	273,888,264.15
Fixed assets	V. 21	60,431,389,246.56	41,544,879,916.35
Construction in progress	V. 22	24,564,231,357.58	24,922,813,448.13
Productive biological assets			
Oil and gas assets			
Intangible assets	V. 23	9,534,064,499.58	8,139,687,711.99
Development expenditure			
Goodwill	V. 24	2,196,203,443.71	2,167,564,139.31
Long-term prepaid expenses	V. 25	72,928,065.21	62,824,672.42
Deferred tax assets	V. 26	979,463,301.60	766,054,357.72
Other non-current assets	V. 27	11,449,116,612.57	3,210,130,986.30
Total non-current assets		121,204,654,563.68	89,143,097,087.83
TOTAL ASSETS		184,943,586,013.70	129,674,641,133.79

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

EQUITY AND LIABILITIES	Note	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings	V. 28	42,001,715,260.51	23,430,406,202.59
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	V. 29	23,946,600.00	40,280,488.36
Notes payable	V. 30	9,046,596,399.69	9,237,591,021.55
Accounts payable	V. 31	10,838,749,782.94	9,565,556,996.34
Receipts in advance	V. 32	105,565,865.20	3,032,500,966.90
Contract liabilities	V. 33	3,547,337,812.24	
Employee benefits payable	V. 34	1,247,968,679.20	1,236,926,345.76
Taxes payable	V. 35	1,286,807,478.85	604,272,803.89
Other payables	V. 36	4,218,121,451.66	4,242,700,323.76
Held-for-sale liabilities			
Non-current liabilities due within one year	V. 37	1,582,894,097.29	3,554,929,366.56
Other current liabilities	V. 38	5,435,633,107.04	
Total current liabilities		79,335,336,534.62	54,945,164,515.71
Non-current liabilities			
Long-term borrowings	V. 39	23,007,931,329.79	11,372,690,665.45
Bonds payable	V. 40	4,982,589,618.17	1,991,611,424.83
Including: Preference shares			
Perpetual bonds			
Long-term payables	V. 41	4,793,042,873.63	961,033,858.67
Long-term employee benefits payable	V. 42	57,619,419.89	60,704,908.43
Provisions	V. 43	314,809,163.12	288,511,912.52
Deferred income	V. 44	1,130,506,633.78	1,115,349,030.06
Deferred tax liabilities	V. 26	669,025,715.57	498,586,931.69
Other non-current liabilities	V. 45	834,161.69	50,609.79
Total non-current liabilities		34,956,358,915.64	16,288,539,341.44
TOTAL LIABILITIES		114,291,695,450.26	71,233,703,857.15
Shareholders' equity			
Paid-in capital (or Share capital)	V. 46	10,000,000,000.00	10,000,000,000.00
Other equity instruments	V. 47	1,996,632,075.46	
Including: Preference shares			
Perpetual bonds	V. 47	1,996,632,075.46	
Capital reserve			
Less: Treasury shares			
Other comprehensive income	V. 48	135,959,581.83	-32,577,155.68
Special reserve	V. 49	11,862,095.08	8,937,751.17
Surplus reserve	V. 50	35,374,567.93	143,552,678.68
Undistributed profits	V. 51	5,261,453,365.96	4,504,822,040.87
Total equity attributable to equity holders of the Company		17,441,281,686.26	14,624,735,315.04
Minority interests		53,210,608,877.18	43,816,201,961.60
Total equity		70,651,890,563.44	58,440,937,276.64
TOTAL EQUITY AND LIABILITIES		184,943,586,013.70	129,674,641,133.79

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Financial Position of the Company

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	31 December 2020	31 December 2019
Current assets			
Cash and bank balances		3,347,996,138.85	685,447,392.45
Financial assets held for trading			
Financial assets at fair value through profit or loss		1,633,000,000.00	1,382,567,621.45
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments		341,557.13	163,000.00
Other receivables	XII. 1	9,296,019,778.20	6,821,948,696.13
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		1,088,000.00	
Total current assets		14,278,445,474.18	8,890,126,710.03
Non-current assets			
Debt investments			
Available-for-sale financial assets		6,440,290,137.69	4,475,195,202.07
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII. 2	13,032,084,234.29	10,672,669,283.64
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		545,619.96	638,441.24
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		2,580,772.01	1,993,250.00
Development expenditure			
Goodwill			
Long-term prepaid expenses		686,926.61	772,792.37
Deferred tax assets			
Other non-current assets			
Total non-current assets		19,476,187,690.56	15,151,268,969.32
TOTAL ASSETS		33,754,633,164.74	24,041,395,679.35

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Financial Position of the Company (Continued)

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

EQUITY AND LIABILITIES	Note	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings		2,738,900,000.00	2,599,863,622.86
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		654,217.36	1,054,217.36
Receipts in advance			
Contract liabilities			
Employee benefits payable		267,663.94	1,288,406.91
Taxes payable		250,168.62	1,182,002.72
Other payables		3,289,372,489.44	4,669,135,209.17
Held-for-sale liabilities			
Non-current liabilities due within one year		550,000,000.00	
Other current liabilities			
Total current liabilities		6,579,444,539.36	7,272,523,459.02
Non-current liabilities			
Long-term borrowings		9,762,155,188.55	3,599,772,071.35
Bonds payable		4,982,589,618.17	1,991,611,424.83
Including: Preference share			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		14,744,744,806.72	5,591,383,496.18
TOTAL LIABILITIES		21,324,189,346.08	12,863,906,955.20
Shareholders' equity			
Paid-in capital (or Share capital)		10,000,000,000.00	10,000,000,000.00
Other equity instruments		1,996,632,075.46	
Including: Preference shares			
Perpetual bonds		1,996,632,075.46	
Capital reserve		391,385,358.51	560,233,720.59
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		231,090,195.30	195,715,627.37
Undistributed profits		-188,663,810.61	421,539,376.19
Total equity		12,430,443,818.66	11,177,488,724.15
TOTAL EQUITY AND LIABILITIES		33,754,633,164.74	24,041,395,679.35

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2020	Year ended 31/12/2019
I. Revenue		84,351,104,146.22	76,427,963,837.82
Including: Operating revenue	V. 52	84,351,104,146.22	76,427,963,837.82
II. Cost of sales		72,682,810,215.71	64,186,686,137.92
Including: Operating cost	V. 52	62,246,954,879.17	54,851,331,969.56
Taxes and surcharges	V. 53	817,939,315.24	731,066,025.67
Selling and distribution expenses	V. 54	3,498,660,624.29	3,422,888,384.88
General and administrative expenses	V. 55	1,963,672,624.49	2,044,398,742.09
Research and development expenses	V. 56	2,427,085,327.69	1,975,350,263.74
Financial expenses	V. 57	1,728,497,444.83	1,161,650,751.98
Including: Interest expenses		1,918,240,018.44	1,355,161,016.89
Interest income		420,748,038.62	248,921,413.68
Add: Other income	V. 58	860,419,188.13	1,021,529,993.83
Investment income (Losses are indicated by "-")	V. 59	425,886,859.65	319,789,088.57
Including: Investment income from investments in associates and joint ventures		223,776,706.18	85,937,188.58
Gains from derecognition of financial assets measured at amortised cost			
Income from net exposure hedging (Losses are indicated by "-")			
Gains from changes in fair values (Losses are indicated by "-")	V. 60	-1,177,511.15	271,556,626.53
Credit impairment losses (Losses are indicated by "-")	V. 61	-115,334,786.05	-47,434,494.88
Impairment losses of assets (Losses are indicated by "-")	V. 62	-776,181,648.79	-608,457,235.75
Gains on disposal of assets (Losses are indicated by "-")	V. 63	22,696,189.97	24,588,913.55
III. Operating Profit (Losses are indicated by "-")		12,084,602,222.27	13,222,850,591.75
Add: Non-operating income	V. 64	31,551,131.49	90,386,609.97
Less: Non-operating expenses	V. 65	152,368,918.72	135,015,633.41
IV. Profit Before Income Taxes (Losses are indicated by "-")		11,963,784,435.04	13,178,221,568.31
Less: Income tax expenses	V. 66	1,438,013,232.37	1,785,246,021.68
V. Net Profit (Net losses are indicated by "-")		10,525,771,202.67	11,392,975,546.63
(1) Classified by continuity of operations			
1. Net profit from continuing operations (Net losses are indicated by "-")		10,525,771,202.67	11,392,975,546.63
2. Net profit from discontinued operations (Net losses are indicated by "-")			
(2) Classified by ownership			
1. Net profit attributable to equity holders of the Company (Net losses are indicated by "-")		1,772,322,163.91	2,349,020,398.24
2. Net profit attributable to minority interests (Net losses are indicated by "-")		8,753,449,038.76	9,043,955,148.39
VI. Other Comprehensive Income, Net of Tax		747,758,412.87	24,458,226.80
(1) Attributable to equity holders of the Company		168,536,737.51	7,334,853.13
1. Items that will not be reclassified subsequently to profit or loss		78,154,732.71	10,202,167.08
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans		791,413.68	-146,219.74
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss		532,404.28	
(c) Changes in fair value of other equity instrument investments		78,413,742.10	10,348,386.82
(d) Changes in fair value of the Company's own credit risks			
2. Items that may be reclassified subsequently to profit or loss		90,382,004.80	-2,867,313.95
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss		-130,133.52	42,026.76
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Gains arising from changes in fair value of available-for-sale financial assets		427,656.00	528,568.75
(e) Provision for credit impairment in other debt investments			
(f) Reserve for cash flow hedges		17,387,960.47	-9,582,204.69
(g) Exchange differences on translation of foreign currency financial statements		72,696,521.85	6,144,295.23
(2) Attributable to minority interests		579,221,675.36	17,123,373.67
VII. Total Comprehensive Income		11,273,529,615.54	11,417,433,773.43
(1) Attributable to equity holders of the Company		1,940,858,901.42	2,356,355,251.37
(2) Attributable to minority interests		9,332,670,714.12	9,061,078,522.06
VIII. Earnings per Share			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Income Statement of the Company

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2020	Year ended 31/12/2019
I. Revenue		254,716.97	26,364,336.36
Less: Operating cost			
Taxes and surcharges		1,017,164.89	847,762.64
Selling and distribution expenses			
General and administrative expenses		10,260,156.67	7,102,599.64
Research and development expenses			
Financial expenses		598,560,915.33	58,439,464.78
Including: Interest expenses		607,356,056.85	78,440,715.85
Interest income		8,836,365.51	20,091,753.77
Add: Other income		9,250.24	
Investment income (Losses are indicated by "-")	XII. 3	956,547,013.57	1,476,107,274.06
Including: Investment income from investments in associates and joint ventures		1,966,190.44	3,344,301.08
Gains from derecognition of financial assets measured at amortised cost			
Income from net exposure hedging (Losses are indicated by "-")			
Gains from changes in fair values		6,802,680.15	-842,236.59
Credit impairment losses			
Impairment losses of assets			
Gains on disposal of assets (Losses are indicated by "-")			
II. Operating Profit (Losses are indicated by "-")		353,775,424.04	1,435,239,546.77
Add: Non-operating income		506,742.23	287,240.00
Less: Non-operating expenses		536,486.98	
III. Profit Before Income Taxes (Losses are indicated by "-")		353,745,679.29	1,435,526,786.77
Less: Income tax expenses			
IV. Net Profit (Net losses are indicated by "-")		353,745,679.29	1,435,526,786.77
1. Net profit from continuing operations (Net losses are indicated by "-")		353,745,679.29	1,435,526,786.77
2. Net profit from discontinued operations (Net losses are indicated by "-")			
V. Other Comprehensive Income, Net of Tax			
1. Items that will not be reclassified subsequently to profit or loss			
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans			
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
(c) Changes in fair value of other equity instrument investments			
(d) Changes in fair value of the Company's own credit risks			
2. Items that may be reclassified subsequently to profit or loss			
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Provision for credit impairment in other debt investments			
(e) Reserve for cash flow hedges			
(f) Exchange differences on translation of foreign currency financial statements			
VI. Total Comprehensive Income		353,745,679.29	1,435,526,786.77
VII. Earnings per Share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2020	Year ended 31/12/2019
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		95,998,200,408.88	97,197,601,443.83
Refund of taxes and surcharges		2,100,496,268.96	1,964,099,452.84
Cash receipts relating to other operating activities	V. 67	3,347,469,015.80	4,264,026,967.30
Sub-total cash inflows from operating activities		101,446,165,693.64	103,425,727,863.97
Cash payments for goods purchased and services received		68,010,351,541.87	59,445,689,477.91
Cash payments to and on behalf of employees		5,527,050,349.90	5,317,462,315.35
Payments of taxes and surcharges		4,504,396,357.73	5,321,346,065.10
Cash payments relating to other operating activities	V. 67	6,172,195,225.53	7,074,181,507.98
Sub-total cash outflows from operating activities		84,213,993,475.03	77,158,679,366.34
Net cash flows from operating activities		17,232,172,218.61	26,267,048,497.63
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		34,449,568,137.09	51,244,474,836.04
Cash receipts from returns on investments		264,470,888.46	354,784,303.75
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		164,030,122.64	93,743,046.06
Net cash received from disposals of subsidiaries and other business units			23,355.76
Cash receipts relating to other investing activities	V. 67	112,273,434.99	221,133,156.68
Sub-total cash inflows from investing activities		34,990,342,583.18	51,914,158,698.29
Cash payments to acquire fixed assets, intangible assets and other long-term assets		32,953,993,429.03	18,802,103,004.25
Cash payments for investments		37,478,145,712.43	57,241,979,006.56
Net cash payments to acquire subsidiaries and other business units		232,898,764.78	690,544,335.14
Cash payments relating to other investing activities	V. 67	636,778,583.53	1,576,818,705.55
Sub-total cash outflows from investing activities		71,301,816,489.77	78,311,445,051.50
Net cash flows from investing activities		-36,311,473,906.59	-26,397,286,353.21
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		5,240,013,463.04	679,554,449.45
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		3,243,313,463.04	679,554,449.45
Cash receipts from borrowings		109,367,968,997.45	63,023,767,329.77
Cash receipts relating to other financing activities	V. 67	4,257,729,552.13	131,138,030.00
Sub-total cash inflows from financing activities		118,865,712,012.62	63,834,459,809.22
Cash repayments of borrowings		74,018,372,174.90	55,587,468,453.42
Cash payments for distribution of dividends or profit and interest expenses		6,825,412,210.51	8,269,999,950.38
Including: Dividends or profit paid to minority shareholders of subsidiaries		3,634,472,549.76	5,538,662,248.31
Cash payments relating to other financing activities	V. 67	318,120,018.97	436,311,306.09
Sub-total cash outflows from financing activities		81,161,904,404.38	64,293,779,709.89
Net cash flows from financing activities		37,703,807,608.24	-459,319,900.67
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-41,122,484.32	5,421,814.39
V. Net Increase in Cash and Cash Equivalents		18,583,383,435.93	-584,135,941.86
Add: Cash and Cash Equivalents at the beginning of the period		7,714,068,694.58	8,298,204,636.44
VI. Cash and Cash Equivalents at the end of the period		26,297,452,130.51	7,714,068,694.58

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

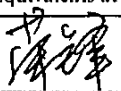
Statement of Cash Flows of the Company

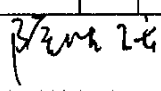
For the year ended 31 December 2020

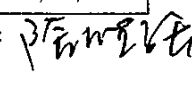
Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2020	Year ended 31/12/2019
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		270,040.00	140,000.00
Refund of taxes and surcharges			
Cash receipts relating to other operating activities		5,622,618,775.95	3,404,522,490.63
Sub-total cash inflows from operating activities		5,622,888,815.95	3,404,662,490.63
Cash payments for goods purchased and services received			
Cash payments to and on behalf of employees		5,560,097.79	2,214,561.93
Payments of taxes and surcharges		4,226,657.62	1,566,655.79
Cash payments relating to other operating activities		9,816,113,154.29	3,761,938,062.10
Sub-total cash outflows from operating activities		9,825,899,909.70	3,765,719,279.82
Net cash flows from operating activities		-4,203,011,093.75	-361,056,789.19
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		19,837,043,596.81	38,567,495,000.00
Cash receipts from returns on investments		995,272,628.60	1,415,162,221.06
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash receipts relating to other investing activities		154,947,872.65	118,916,573.52
Sub-total cash inflows from investing activities		20,987,264,098.06	40,101,573,794.58
Cash payments to acquire fixed assets, intangible assets and other long-term assets		1,250,000.00	2,610,659.38
Cash payments for investments		24,548,963,328.42	44,072,895,000.00
Net cash payments to acquire subsidiaries and other business units			
Cash payments relating to other investing activities		110,000,000.00	1,509,751,300.00
Sub-total cash outflows from investing activities		24,660,213,328.42	45,585,256,959.38
Net cash flows from investing activities		-3,672,949,230.36	-5,483,683,164.80
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		1,996,700,000.00	20,000,000.00
Cash receipts from borrowings		15,888,369,753.54	9,492,000,000.00
Cash receipts relating to other financing activities		300,000,000.00	232,300,000.00
Sub-total cash inflows from financing activities		18,185,069,753.54	9,744,300,000.00
Cash repayments of borrowings		6,049,780,505.66	2,000,307,156.14
Cash payments for distribution of dividends or profit and interest expenses		1,395,858,882.85	1,126,274,491.06
Cash payments relating to other financing activities		200,921,294.52	180,320,998.18
Sub-total cash outflows from financing activities		7,646,560,683.03	3,306,902,645.38
Net cash flows from financing activities		10,538,509,070.51	6,437,397,354.62
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		2,662,548,746.40	592,657,400.63
Add: Cash and Cash Equivalents at the beginning of the period		685,447,392.45	92,789,991.82
VI. Cash and Cash Equivalents at the end of the period		3,347,996,138.85	685,447,392.45

Legal Representative: 

Chief Financial Officer: 

Head of the Finance Department: 

Consolidated Statement of Changes in Equity

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

For the year ended 31 December 2020

Unit: RMB Yuan

Amount for the current period													
	Attributable to equity holders of the Company										Minority interests	Total owners' equity	
	Capital in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
		Preference shares	Perpetual bonds	Others									
I. Balance at 31 December 2019	10,000,000,000.00						-32,577,155.68	8,937,751.17	143,552,678.68	4,504,822,040.87	14,624,735,315.04	58,440,937,276.64	
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combination involving entities under common control													
Others													
II. Balance at 1 January 2020	10,000,000,000.00						-32,577,155.68	8,937,751.17	143,552,678.68	4,504,822,040.87	14,624,735,315.04	58,440,937,276.64	
III. Changes for the Year							168,536,737.51	2,924,343.91	-108,178,110.75	756,631,325.09	2,816,546,371.22	12,210,953,286.80	
(i) Total other comprehensive income							168,536,737.51			1,772,322,163.91	1,940,858,901.42	11,273,529,615.54	
(ii) Owners' contributions and reduction in capital													
1. Ordinary shares contributed by owners (shareholders)													
2. Capital contribution from holders of other equity instruments													
3. Share-based payment recognised in owners' equity													
4. Others													
(iii) Profit distribution													
1. Transfer to surplus reserve									35,374,567.93	-964,857,143.96	-929,482,576.03	-110,724,400.08	
2. Distributions to owners (shareholders)									35,374,567.93	-35,374,567.93		-4,587,772,278.57	
3. Others										-928,574,298.16	-928,574,298.16	-4,586,864,000.70	
(iv) Transfers within owners' equity										-908,277.87	-908,277.87	-908,277.87	
1. Capitalisation of capital reserve (or share capital)													
2. Capitalisation of surplus reserve (or share capital)													
3. Loss offset by surplus reserve													
4. Changes in defined benefit plan carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(v) Special reserve													
1. Transfer to special reserve in the period													
2. Amount utilized in the period													
(vi) Others													
IV. Balance at 31 December 2020	10,000,000,000.00						135,959,581.83	11,862,095.08	35,374,567.93	-50,833,693.86	17,441,281,686.26	70,651,890,563.44	

Legal Representative.

Chief Financial Officer:

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Head of the Finance Department

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Consolidated Statement of Changes in Equity (Continued)

Prepared by Yinnai Guofeng Investment Holdings Group Co., Ltd.

For the year ended 31 December 2020

Unit: RMB Yuan

	Amount for the prior period									
	Attributable to equity holders of the Company									
	Paid-in capital (or share capital)	Preference shares	Perpetual bonds	Other equity instruments	Less: Treasury shares	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits
I. Balance at 31 December 2019	1,000,000,000.00					3,729,943,919.95	-19,846,270.73	4,405,304.28	52,570,971.74	9,293,981,200.27
Add: Changes in accounting policies						-8,759,948.32	-19,638,377.97			98,891,678.51
Corrections to business period errors										
Business combination involving entities under common control										
Others										
II. Balance at 1 January 2019	1,000,000,000.00					3,721,183,971.63	-69,484,578.70	4,405,304.28	52,570,971.74	9,392,872,878.78
III. Changes for the Year	9,000,000,000.00					-3,721,183,971.63	36,907,423.02	4,532,446.89	90,981,706.94	-4,888,050,837.91
(i) Total other comprehensive income							7,334,853.13			2,349,020,398.24
(ii) Owners' contributions and reduction in capital						-796,274,899.20	29,572,559.89	30,146.81		
1 Ordinary shares contributed by owners (shareholders)						-53,182,500.00				
2 Capital contribution from holders of other equity instruments										
3 Share-based payment recognised in owners' equity										
4 Others						-743,092,399.20	29,572,559.89	30,146.81		
(iii) Profit distribution										
1 Transfer to surplus reserve									143,552,678.68	-1,240,837,103.69
2 Distributions to owners (shareholders)									143,552,678.68	-143,552,678.68
3 Others										-1,095,815,729.33
(iv) Transfers within owners' equity	9,000,000,000.00					-2,962,686,565.18			-52,570,971.74	-1,468,695.68
1 Capitalisation of capital reserve (or share capital)	9,000,000,000.00					-2,962,686,565.18			-52,570,971.74	-5,984,742,463.08
2 Capitalisation of surplus reserve (or share capital)										
3 Loss offset by surplus reserve										
4 Changes in defined benefit plan carried forward to retained earnings										
5 Other comprehensive income carried forward to retained earnings										
6 Others										
(v) Special reserve										
1 Transfer to special reserve in the period								4,502,300.08		
2 Amount utilized in the period								54,560,955.85		
(vi) Others								-50,058,655.77		
IV. Balance at 31 December 2019	10,000,000,000.00					37,777,492.75	-32,577,155.68	8,937,751.17	143,552,678.68	4,504,822,040.87

Legal Representative:

Chief Financial Officer:

Head of the Finance Department

Unit: RMB Yuan

Statement of Changes in Equity of the Company

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

For the year ended 31 December 2020

Unit: RMB Yuan

	Paid-in capital (or Share capital)	Other equity instruments			Amount for the current period			Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income				
I. Balance at 1 December 2019	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15
Additional changes in accounting policies											
Correction of prior period errors											
Others											
II. Balance at 1 January 2020	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15
III. Changes for the Year					-168,848,362.08				35,374,567.93	-610,203,186.80	1,252,955,094.51
(i) Total other comprehensive income											
(ii) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners (shareholders)											
2. Capital contribution from holders of other equity instruments					1,996,632,075.46						
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve									35,374,567.93	-963,948,866.09	-928,574,298.16
2. Distributions to owners (shareholders)									35,374,567.93	-35,374,567.93	
3. Others											
(iv) Transfers within owners' equity											
1. Capitalisation of capital reserve (or share capital)											
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period											
(vi) Others											
IV. Balance at 31 December 2020	10,000,000,000.00		1,996,632,075.46		-168,848,362.08				231,090,195.30	-188,663,810.61	12,430,443,818.66

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

[Signature]

Statement of Changes in Equity of the Company (Continued)

Prepared by Xinhui Group Investment Holdings Group Co., Ltd.		For the year ended 31 December 2020		Amount for the prior period						Unit: RMB Yuan	
	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Prefrence shares	Perpetual bonds	Others							
Balance at 31 December 2018	1,000,000,000.00				7,860,238,343.06				52,570,971.74	229,053,204.93	9,141,862,519.73
A. Changes in accounting policies											
B. Corrections of prior period errors											
C. Others											
II. Balance at 1 January 2019	1,000,000,000.00				7,860,238,343.06				52,570,971.74	229,053,204.93	9,141,862,519.73
III. Changes for the Year	9,000,000,000.00				-7,300,004,622.47				143,144,655.63	192,486,171.26	2,035,626,204.42
(i) Total other comprehensive income										1,435,526,786.77	1,435,526,786.77
(ii) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners (shareholders)					1,699,975,532.94						1,699,975,532.94
2. Capital contribution from holders of other equity instruments					1,699,975,532.94						1,699,975,532.94
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve									143,552,678.68	-1,239,368,408.01	-1,095,815,729.33
2. Distributions to owners (shareholders)									143,552,678.68	-143,552,678.68	
3. Others										-1,095,815,729.33	-1,095,815,729.33
(iv) Transfers within owners' equity	9,000,000,000.00				-9,000,000,000.00						
1. Capitalisation of capital reserve (or share capital)	9,000,000,000.00				-9,000,000,000.00						
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period											
(vi) Others					19,844.59				-108,023.05	-3,672,207.50	-1,060,385.96
IV. Balance at 31 December 2019	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Yantai Guofeng Investment Holdings Group Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2020

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information of the Company

Yantai Guofeng Investment Holdings Group Co., Ltd. (hereinafter referred to as “The Company”, “The Group” or “Guofeng Group”), previously known as Yantai Guofeng Investment Holdings Co., Ltd. The registered capital is RMB 10 Billion. The registered address is No.267 Nandajie, Zhifu district, Yantai, Shandong Province, PRC. The Company mainly conduct the following businesses: Operation and management of the state-owned property right (equity interests) authorised by State-owned Assets Supervision and Administration Commission of Municipal Government (municipal SASAC); financing, investment, operation and management of government strategic investment and industrial investment and other projects; capital operation for state-owned property rights and equity interests (including acquisition, reorganisation and integration and transfer, etc) within the scope of authorisation; venture capital business; venture capital business on behalf of other venture capital enterprises and other institutions or individuals; rendering of venture capital management service for venture capital enterprises; participation in establishing venture capital enterprises and venture capital management and advisory institutions; investment and financing services; consulting business; other businesses authorised by the municipal SASAC; wholesale and retail of non-ferrous metals and mineral products, gold (spot), silver (spot), chemical products (excluding hazardous goods), battery materials (excluding hazardous chemicals); import and export of goods and technologies. (Business scope does not include pre-approved projects and projects restricted by national industrial policies; projects that need to be approved

according to law can be operated only after being approved by relevant departments).

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of Yantai Government (hereinafter referred to as “Yantai SASAC”).

The financial statements of the Company have been approved for issue by the board of the directors on 26 April 2021.

2. Scope of consolidated financial statements

The scope of the Company’s consolidated financial statements in 2020 includes seventeen first-tier subsidiaries. Details of the Company’s significant subsidiaries are set out in Note VII. INTERESTS IN OTHER ENTITIES. The Company has eight subsidiaries newly included in the consolidation scope from the consolidation scope in the current year. For details, please refer to Note VI. CHANGES IN CONSOLIDATION SCOPE.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with *the Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance (the “MOF”) (decree No.33 of the MOF, revised decree No.76 of the MOF), and 42 specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “ASBEs”) promulgated and revised on or after 15 February 2006.

These financial statements also comply with the disclosure requirements of *Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15 – General Requirements for Financial Reports* issued by the China Securities Regulatory Commission (“CSRC”).

The Company adopts the accrual basis of accounting in accordance with the requirements of ASBEs. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Going concern

The Company has performed an assessment of the going concern for the following twelve months from the end of the reporting period and does not identify any significant doubtful matter on the going concern. As such, these financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with ASBEs

The financial statements of the Company have been prepared in accordance with ASBEs, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2020, and the Company’s and consolidated results of operations, changes in equity and cash flows for the year then ended.

2. Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realisation of those assets in cash or cash equivalents. The Company adopts 12 months of an operating cycle as the criteria for determining liquidity of assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries reporting and presentation currency is Renminbi ("RMB"). The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The Company adopts RMB to present its financial statements.

5. Accounting treatment of business combination involving entities under common control and not under common control

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

(1) Business combination 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 combination, and that control is not transitory.

Assets and liabilities that are obtained in a business combination involving entities under common control shall be measured on the basis of their book value in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the book value of the net assets and the book value of

the consideration paid for the combination (or the aggregate face value of shared issued as consideration) shall be adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Various direct expenses incurred for business combination are recognised in profit or loss when they are incurred.

(2) Business combination involving entities not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. For a business combination not involving entities under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. Where the acquirer's previously held interest in the acquire before the acquisition date is remeasured at fair value at the acquisition date, with any difference between fair value and book value included in investment income for the current period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria, shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquiree's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of the combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination. If after that reassessment, the cost of the combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. Goodwill is tested for impairment at least at the end of each year.

6. Method for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee, exposure or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries shall refer to the main bodies controlled by the Company.

No matter when the business combination occurs during the reporting period, subsidiaries and businesses acquired through a business combination involving entities under common control regarded as the same as they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. The opening balances and the comparative figures of

the consolidated balance sheet shall be restated. The operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary and business acquired through a business combination involving entities not under common control, the operation results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows. The opening balance and the comparative figures of the consolidated financial statements are not adjusted.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. If not, adjustments shall be made in accordance with the uniform accounting policies and accounting periods of the Company.

All significant intra-group balances and transactions between the company and subsidiaries and between subsidiaries are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interest is presented as "minority interest" in the consolidated income statement below the "net profit" line item.

The portion of total comprehensive income of subsidiaries for the period attributable to minority shareholders is presented as "total comprehensive income attributable to

minority interests” in the consolidated income statement below the “total comprehensive income” line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of shareholders’ equity of the subsidiary, the excess amounts are still deducted from minority interests.

Acquisition of minority or disposal of an interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The book values of the equity holders of the Company and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is adjusted to capital reserve (capital premium or equity premium) under shareholders’ equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

If the Company loses control over a subsidiary due to the disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost when preparing the consolidated financial statements. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary’s net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, with a write-down against goodwill meanwhile. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

If the control right losses due to disposal of the equities in subsidiaries through multiple transactions, and the terms, conditions and economic impact of the transactions related to the Company’s disposal of its investment in the subsidiary meet

one or more of the following circumstances, it should be deemed that multiple transaction events are included into a package of transactions: (a) These transactions are concluded at the same time or under the consideration of mutual effect; (b) These transactions as a whole can reach a complete business results; (c) The occurrence of a transaction depends on the occurrence of at least one other transaction; (d) The transactions are deemed as non-economically feasible individually while economically feasible when they are viewed together. Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package of transactions, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognised as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control. Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package of transactions, each transaction is accounted for as an independent transaction.

7. Classification of joint arrangements 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.

The Company makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. Joint arrangements are classified as joint operations and joint ventures.

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 Company shall recognise in relation to its interest in a joint operation and conducts accounting treatment in accordance with the relevant ASBES as follow:

- (1) its solely-held assets, and its share of any assets held jointly;
- (2) its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the output by the joint operation;
- (5) its solely-incurred expenses, and its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company's long-term investment in the joint venture is accounted by the equity method.

8. Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and deposits that can be readily withdrawn on demand. The term "cash equivalents" refers to short-term (generally maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Translation of transactions and financial statements denominated in foreign currencies

- (1) Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of the transaction. The exchange rate that approximates the actual spot exchange rate on the date of the transaction is exchange rate of the beginning of the month. At the balance

sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (a) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualifies for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (b) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (c) exchange differences arising from non-monetary items (like stocks) and changes in the book values (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as “exchange differences on translation of foreign currency financial statements” in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date when the fair value is determined. The difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of the exchange rate), and recognised in profit or loss for the current period or in other comprehensive income.

(2) Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; except for the “undistributed profit” item, the items of shareholders’ equity or owners’ equity are translated at the spot exchange rates at the dates on which such items arose. All items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the undistributed profit at the beginning of the year is the undistributed profit at the end of the year after the conversion of the previous year; the undistributed profit at the end of the year is calculated and stated according to the converted profit distribution items. The difference between the translated assets and the aggregate of liabilities and shareholders’ equity or owners’ equity items is separately presented as other comprehensive income under the shareholders’ equity.

Cash flows arising from a transaction dominated in foreign currencies and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows, namely, the spot exchange buying and selling rates on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as “effect of exchange rate changes on cash and cash equivalents”.

10. Financial instruments

(i) The following accounting policies are applicable to Guofeng Group and its subsidiaries that have not adopted the New Standards for Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments

include financial assets, financial liabilities and equity instruments.

(1) Classification of financial assets and financial liabilities

On initial recognition, the Company's financial assets acquired or financial liabilities assumed are classified into the following five categories in accordance with its own business characteristics and risk management requirements, including financial assets or liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets and other financial liabilities.

1) Financial assets or financial liabilities measured at fair value through profit or loss can be further divided into trading financial assets or financial liabilities and financial assets or financial liabilities directly designated as measured at fair value through profit or loss.

2) Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable recovery amount, and the management has clear intention and ability to hold them to maturity.

3) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include notes receivable, accounts receivable, interests receivable, dividends receivable and other receivables.

4) Available-for-sale financial assets include non-derivative financial assets designated as financial assets available-for-sales at the initial recognition, and financial assets other than financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

5) Other financial liabilities refer to the financial liabilities that have not been classified as financial liabilities measured at fair value through profit or loss.

(2) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument. According to the recognition conditions, the Company recognises the rights or obligations formed by derivative instrument contracts within the scope of recognition and measurement of financial instruments as financial assets or financial liabilities. However, if the derivative involves the transfer of financial assets and causes the transfer of financial assets to fail to meet the derecognition conditions, it should not be recognised, otherwise the obligations formed by the derivative will be repeatedly recognised.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to current profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs and constitute the effective interest component.

Subsequent measurement of financial assets:

Financial assets measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value and interests or cash dividends to be received during the holding period are recognised in the profit or loss for the period.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Available-for-sale financial assets are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are transferred to profit or loss for the period.

Interests obtained and cash dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment income.

Investment in equity instrumentst that are not quoted in the active market and whose fair value cannot be reliably measured, as well as derivative financial assets that are linked to the equity instrument and must be settled by delivery of equity instrument, shall be measured at cost.

Subsequent measurement of financial liabilities:

Financial liabilities measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted.

For a derivative liability that is linked to and must be settled by delivery of an equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, it is subsequently measured at cost.

For financial guarantee contracts that does not belong to designated as financial

liabilities at fair value through profit or loss, loan commitments are not designated as financial liabilities at fair value through profit or loss and will lent at a rate lower than the market interest rate, they are, after initial recognition, subsequently measured at the higher of: (a) the amount determined in accordance with *Accounting Standard for Business Enterprises No.13 - Contingencies*; and (b) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in *Accounting Standard for Business Enterprises No.14 - Revenue*.

Financial liabilities other than mentioned above financial liabilities are subsequently measured at amortised cost using the effective interest method.

(3) Recognition basis and measurement method of transfer of financial assets

The Company derecognises a financial asset if one of the following conditions is satisfied: (a) the contractual rights to the cash flows from the financial asset expire; or (b) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (c) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the book value of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss from

changes in fair value that has been recognised in other comprehensive income, is recognised in profit or loss for the period.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the book value of the transferred financial asset is allocated between the part that is derecognised and the part that is continuously involved, based on the respective fair values of those parts. The difference between (i) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income; and (ii) the book value allocated to the part derecognised on derecognition date; is recognised in profit or loss for the period.

If the company sells the financial assets attaching resource right or transfers the financial assets by endorsement, it is necessary to determine whether nearly all the risks and rewards of ownership of the financial assets have been transferred. If nearly all the risks and rewards of the ownership of the financial assets have been transferred to the transferor, the financial assets shall be derecognised. If nearly all the risks and rewards of the ownership of financial assets are retained, the financial assets shall not be derecognised. If there are no transfer or retention of nearly all the risks and rewards of the ownership of the financial assets, the Company shall continue to judge whether it has retained control over the assets, and make corresponding accounting treatment according to principles described previously.

(4) Derecognition of financial liabilities

The Company derecognises a financial liability or part of it only when the underlying present obligation or part of it is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognises a financial liability or a part of it, it recognises the difference between the book value of the financial liability or part of the financial liability derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

(5) Determination method for the fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. A quoted market price in an active market refers to the price that can be obtained easily periodically from exchanges, brokers, industry associations and pricing service institutions, etc. A quoted market price represents the price of market transactions actually occurring in orderly transaction. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. Valuation techniques include referring to the prices used in recent market transactions by parties familiar with the situation and willing to trade, referring to the current fair value of other financial instruments that are essentially the same, discounted cash flow method and option pricing model, etc.

(6) Impairment of financial assets

The Company assesses at each balance sheet date the book values of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Company determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- 1) the significant financial difficulty of the issuer or obligor;
- 2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- 3) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- 4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- 5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- 6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes adverse changes in the payment status of the borrower in the group of assets and economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- 7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- 8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost over 50% (including 50%) at the balance sheet date, or the duration of the fair value below its initial investment cost by more than 12 months (including 12 months);
- 9) other objective evidence indicating there is an impairment of a financial asset.

Impairment of held-to-maturity investments and loans and receivables

If financial assets carried at amortised cost are impaired, the book values of the financial assets are reduced to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the book value of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (including financial assets are individually significant and insignificant), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the initial acquisition cost of the asset after deducting

the recovered principal and amortised amount, the current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in the value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the book value of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

(ii) The following accounting policies are applicable to the subsidiaries of the Company that have adopted the New Standards for Financial Instruments

The subsidiaries adopted the New Standards for Financial Instruments include: listed subsidiaries Wanhua Chemical Group Co., Ltd. (hereinafter referred to as “Wanhua Chemical”), Yantai Tayho Advanced Materials Co., Ltd. (hereinafter referred to as “Tayho Advanced Materials”), Moon Environment Technology Co., Ltd. (hereinafter referred to as “Moon Environment”), and a IPO subsidiary, Yantai Ishikawa Sealing Technology Co., Ltd. (hereinafter referred to as “Ishikawa Sealing”).

A financial instrument is any contract that gives rise to a financial asset of one entity

and a financial liability or equity instrument of another entity. A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of a financial instrument.

(1) Financial assets

1) Classification and measurement

The Company classifies financial assets into different categories depending on the business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (a) financial assets measured at amortised cost; (b) financial assets measured at fair value through other comprehensive income; (c) financial assets measured at fair value through profit or loss.

Financial assets are initially recognised at fair value. For financial measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets, any related directly attributable transaction costs are included in their initial costs. However, accounts receivable and notes receivable arising from sales of goods or rendering services, without or no consideration of significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

Debt instruments

The debt instruments held by the Company refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The business model for managing such financial assets by the Company are held for collection of contractual cash flows. The contractual cash flow characteristics of such

financial assets are consistent with the basic lending arrangements, that are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method. The financial assets include cash and bank balance, notes receivable, accounts receivable, other receivable, debt investments and long-term receivables, etc. The Company's debt investments and long-term receivables due within one year (including one year) are presented in the line item "non-current assets due within one year" in the balance sheet; debt investments acquired within one year (including one year) are presented in the line item "other current assets" in the balance sheet.

Measured at fair value through other comprehensive income ("FVTOCI"):

The business model for managing such financial assets by the Company are held for collection of contractual cash flows and for selling the financial assets, the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Movements in the book value are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss for the period. The financial assets mainly include receivables financing and other debt investments. The Company's other debt investments due within one year (including one year) are presented in the line item "non-current assets due within one year" in the balance sheet; other debt investments acquired within one year (including one year) are presented in the line item "other current assets" in the balance sheet.

Measured at fair value through profit and loss ("FVTPL"):

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are categorised into financial assets measured at FVTPL and presented in trading financial assets. On initial recognition, the Company may irrevocably

designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The financial assets held more than one year from the balance sheet date and are expected to be held for more than one year are presented in “other non-current financial assets”.

Equity instruments

Equity instruments that the Company has no power to control, jointly control or exercise significant influence over, are measured at FVTPL and presented as financial assets held for trading. If it is expected to hold more than one year since the balance sheet date, it shall be presented in “other non-current financial assets”.

In addition, the Company designates some equity instruments that are not held for trading as financial assets measured at FVTOCI, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss for the period.

2) Impairment

The Company recognises impairment losses for expected credit losses (“ECLs”) on financial assets measured at amortised cost and investment in debt instruments and financial guarantee contracts measured at FVTOCI.

The Company measures and recognises ECLs, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Company takes the risk of default as the weight to calculate the probability weighted amount of the present value of the difference between the cash flow receivable in the contract and the cash flow expected to be received.

The Company measures the ECLs of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit

risk since the initial recognition. on first stage, the Company measures the impairment losses at an amount equal to 12-month ECLs. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs.

For financial instruments that have low credit risk at the balance sheet date, the Company assumes that there is no significant increase in credit risk since the initial recognition, and measures the impairment loss at an amount equal to 12-month ECLs.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Company calculates interest income according to book value without deducting the impairment loss and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the book value minus amortised cost after the provision of impairment loss and effective interest rate.

(a) For notes receivable, accounts receivable and receivables financing, the Company measures the impairment loss at an amount equal to lifetime ECLs whether or not there is a significant financing component.

In case the ECLs of individually assessed notes receivable, accounts receivable and receivables financing cannot be evaluated with reasonable cost, the Company divides notes receivable, accounts receivable and receivables financing into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of	Accounts receivable for which the credit
impairment accounts receivable	losses are made based on aging

Grouping 2 of Accounts receivable for which the credit impairment accounts receivable losses are made based on overdue aging

The Company, with consideration to historical credit loss experience, current conditions and forecasts of future economic conditions, prepares the cross-reference between the ageing of accounts receivable and the lifetime expected credit loss rate, and calculates the ECLs of accounts receivable that are classified into groupings.

Grouping 1 of notes receivable	Bank acceptance bills
Grouping 2 of notes receivable	Commercial acceptance bills
Grouping 1 of receivables financing	Bank acceptance bills
Grouping 2 of receivables financing	Commercial acceptance bills

Based on the exposure at default and the lifetime expected credit loss rate, the Company calculates the ECLs of notes receivable and receivables financing that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

(b) In case the ECLs of other receivables and long-term receivables individually assessed cannot be evaluated with reasonable cost, the Company divides other receivables and long-term receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of other receivables	Aging portfolio
Grouping 2 of other receivables	Risk free portfolio
Grouping 1 of long-term receivables	Aging portfolio

The Company, on the basis of the exposure at default and the lifetime expected credit loss rate, calculates the ECLs of long-term receivables that are classified into

groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions. The Company calculates the ECLs of other receivables based on the exposure at default and the 12-month/the lifetime expected credit loss rate.

(c) The Company recognises the impairment loss accrued or written back in profit or loss. For debt instruments measured at FVTOCI, the Company adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

3) Derecognition

The Company derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Company transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Company has not retained control.

On derecognition of other equity instrument investments, the difference between the book values and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss for the period.

(2) Financial liabilities

The Company, at initial recognition, classifies financial liabilities as either financial liabilities measured at amortised cost or financial liabilities measured at FVTPL.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payable, accounts payable, other payables, borrowings

and bonds payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement. If the terms are less than one year (including one year), these financial liabilities are presented in current liabilities; if the terms are more than one year but matures within one year (including one year) from the balance sheet date, financial liabilities are presented in “non-current liabilities due within one year”; the remaining financial liabilities are presented in “non-current liabilities”.

Where the present obligations of financial liabilities are completely or partially discharged, the Company derecognises these financial liabilities or discharged parts of obligations. The differences between the book values and the consideration received are recognised in profit or loss for the period.

(3) Determination of fair value of financial instruments

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

11. Inventories

(1) Categories of inventories

The Company’s inventories mainly include raw materials, turnover materials, work in

progress and finished goods, etc.

(2) Valuation method of inventories upon delivery

Inventories are initially measured at cost. The actual cost of inventories upon delivery is calculated using the weighted average method.

(3) Basis for determining the net realisable value of inventories and provision methods for the decline in value of inventories

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined based on clear evidence obtained, and takes into consideration of the purposes of holding inventories and effect of post balance sheet events.

For inventories with large quantity and low values, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of the cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed within the amount of the original provision for decline in value, and the reversal is included in profit or loss for the period.

(4) Inventory count system

The perpetual inventory system is maintained for the stock system.

- (5) Amortisation method for low cost and short-lived consumable items and packaging materials

Low cost and short-lived consumable items and packaging materials are amortised using the immediate write-off method.

12. Contract assets and contract liabilities

The subsidiaries adopted the New Standards for Revenue include: listed subsidiaries Wanhua Chemical, Tayho Advanced Materials, Moon Environment, and a IPO subsidiary, Ishikawa Sealing.

In the contract between the Company and a customer, the Company shall have the right to collect the contract price for the goods and services that have been transferred to a customer, and at the same time undertake the performance obligation of transferring the goods or services to a customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before the consideration is due and payable, the right to receive consideration for the transferred goods or services shall be listed as a contract asset and recognised as accounts receivable when an unconditional right to receive payment is obtained. On the contrary, the Company's obligation to transfer goods or services to a customer due to the consideration received or receivable shall be shown as a contract liability. Contract liabilities are recognised as revenue when the Company fulfills an obligation to transfer goods or provide services to a customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Regardless of whether there is a significant financing component or not, the impairment provision of the Company's contract assets are measured based on the lifetime expected credit losses (ECLs). The Company recognises the losses provision for contract assets made or the reversals in profit or loss for the period. In case the ECL of contract assets individually assessed cannot be evaluated with reasonable

cost, the Company divides contract assets into certain groupings based on credit risk characteristics, and calculates the ECL for the groupings.

The Company, on the basis of the exposure at default and lifetime expected credit loss rate, calculates the ECLs of contract assets that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions.

13. Non-current assets (or disposal groups) held for sale

(1) Classification of non-current assets (or disposal groups) held for sale

A disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

The Company classifies non-current assets (or disposal groups) meeting the following conditions at the same time as assets held for sale:

1) the asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group);

2) the sale is highly probable. The Company has made a resolution for one selling plan and had acquired decided purchase commitment. Further, the sale is expected to complete within one year of the asset being classified as held for sale. Where the sale can be done only upon the approval of relevant authorities or regulatory authorities of the Company as required by relevant provisions, the approval has been obtained.

Confirmed purchase commitment refers to the legally binding purchase agreement signed by the Company and other parties, which contains important terms such as transaction price, time and severe penalty for breach of contract, so that the possibility

of significant adjustment or cancellation of the agreement is highly unlikely.

(2) Measurement of non-current assets (or disposal groups) held for sale

When the Company measures initially or re-measures a non-current asset or disposal group held for sale on the balance sheet date, if its previous book value is higher than fair value less costs to sell, the book value shall be written down to fair value less costs to sell, and the amount written down shall be recognised as an impairment loss in the profit and loss for the period. Meanwhile, a provision for impairment of assets held for sale shall be made.

For the amount of an impairment loss confirmed by the disposal group held for sale, the book value of goodwill in the disposal group shall be offset firstly, and then the book value of non-current assets in the disposal group shall be offset, on a pro-rata basis of the book value of each asset in the group.

If there are any increases in fair value less costs to sell of an asset at subsequent balance sheet date, the amount written down previously shall be restored, but not in excess of any cumulative impairment loss recognised after being classified as held for sale. The reversal amount shall be included in the current profit and loss. An impairment loss of asset before being classified as held for sale should not be reversed.

If there are any increases in fair value less costs to sell of a disposal group at subsequent balance sheet date, the amount written down previously shall be restored, but not in excess of any cumulative impairment loss recognised after being classified as held for sale. The reversal amount shall be included in the current profit and loss. The book value of the goodwill that has been written off, and the impairment loss of assets before the non-current assets are classified as held for sale, shall not be reversed.

For non-current assets or disposal groups classified as held for sale on the acquisition date, the Company compares the amount of initial measurement of these assets not classified as held for sale and fair value less costs to sell, and net amount is measured at the lower of them. The difference arising from the amount measured at fair value less costs to sell as the initial measurement of non-current assets or disposal groups shall be included in the current profit and loss, except for the non-current assets or disposal groups obtained in a business combination.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

When a non-current asset or disposal group is no longer classified as a held for sale category due to it is no longer satisfied with the classification conditions of held for sale, or the non-current asset is removed from the disposal group, it shall be measured according to the lower of the following amounts:

- 1) the book value before being classified as held for sale is adjusted according to the depreciation, amortisation or impairment that should have been recognised under the assumption that it is not classified as held for sale;
- 2) recoverable amount.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised in profit or loss for the period at the date of derecognition.

14. Long-term equity investment

Long-term equity investment includes equity investment in subsidiaries, associates and joint ventures.

(1) Determination of initial investment cost

Long-term equity investments acquired through a business combination, the initial investment cost shall be determined according to the following provisions:

For a long-term equity investment acquired through business combination involving entities under common control, the Company pays a consideration to the investee in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the investee in the consolidated financial statements of the ultimate controller shall be recognised, on the combination date, as the initial cost of the long-term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the holders' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

For a long-term equity investment obtained through a business combination involving entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial investment cost of the long-term equity investment is the share of the book value of the shareholders' equity of the acquiree attributable to the

ultimate controlling party at the date of combination. The difference between this initial cost and the sum of the book value of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings. The other comprehensive income recognised based on the previously-held equity is accounted by the equity method or an available-for-sale financial asset before the date of acquisition, shall not be accounted for temporarily.

For a long-term equity investment acquired through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial cost comprises the book value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. If the previously-held equity is accounted by the equity method, the relevant other comprehensive income shall not be accounted for temporarily. If the previously-held equity is an available-for-sale financial asset, the difference between the fair value and the book value, as well as the changes in the accumulated fair value included in other comprehensive income, shall be transferred into the current profits and losses.

Long-term equity investments acquired other than through a business combination are measured at cost initially.

(2) Subsequent measurement and the method to recognise profit and loss

Long-term equity investments accounted for using the cost method:

Long-term investments in subsidiaries are accounted for using cost method in the Company's separate financial statements. Subsidiaries refer to the investees over which the Company can exert control.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly.

Long-term equity investments accounted for using the equity method:

The Company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Company has significant influence and a joint venture refers to an investee under the joint control of the company and other investors.

When an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Company shall measure the portion of the investment in the associate held indirectly at fair value through profit or loss in accordance with *Accounting Standards for Business Enterprises No.22 - Recognition and measurement of financial instruments* regardless of whether above entities have significant influence over that portion of the investment. The Company shall apply the equity method to any remaining portion of its investment in an associate that is not held through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Under the equity method, where the initial investment cost of a long-term equity

investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognises its share of the net profit or loss of the investee for the period as investment income for the period. In calculating its share of the investee's net profits or losses, the Company recognises investment income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Company based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised gains or losses resulting from the Company's transactions with its associates and joint ventures, which does not constitute a business, are eliminated based on the proportion attributable to the Company and the investment gains or losses are recognised on such basis. However, unrealised losses resulting from the Company's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Company recognises its share of other comprehensive income of the investee for the period as other comprehensive income for the period. Meanwhile, the book value of long-term equity investment is adjusted; the book value of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are correspondingly adjusted to the book value of the long-term equity investment, and recognised in the equity.

The Company discontinues recognising its share of net losses of the investee after the

book value of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. In addition, if the Company has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(3) Determination criteria of control, joint control and significant influence over investee

Control is defined as power over the investee, exposed or having the rights to variable returns from its involvement with the investee and having the ability to use its power to affect its returns. Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, convertible debts and warrants) held by the Company or other parties that are currently exercisable or convertible shall be considered.

15. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

Investment properties are measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be measured reliably,

subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Company uses the cost model for the subsequent measurement of its investment properties, and shall be depreciated or amortised it in accordance with the policies consistent with houses, buildings or land use rights.

For transfers from owner-occupied properties or inventories to investment property and from investment property to owner-occupied property, the property's deemed cost for subsequent accounting shall be its previous book value at the date of change in use.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and related taxes is recognized in profit or loss for the period.

16. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting year. The cost of an item of fixed asset shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile, the book value of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(2) Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimate useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Land ownership <i>(Note)</i>	Freehold	0	0
Buildings	10-50	0-10	1.80-10
Machinery and equipment	1-20	0-30	3.5-100
Transportation vehicles	4-12	0-10	9-25
Electronic equipment and others	3-10	0-10	9-33.33

Note: The freehold lands shall not be depreciated, are located in the USA, Hungary, the Czech Republic and the UK.

Estimated residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Identification basis, valuation and depreciation methods for fixed assets acquired under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. The ownership may or may not eventually be transferred. At the commencement date of the lease, the Company shall recognise the book-entry value of the leased assets at the lower of their fair value and the present value of the minimum lease payments. A lessee shall apply the same

depreciation requirements in self-owned fixed assets in depreciating the leased asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the leased asset from the commencement date to the earlier of the end of the useful life of the leased asset or the end of the lease term.

(4) Other explanations

The useful lives, estimated residual value and depreciation method shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate.

The book value of a fixed asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

17. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures. An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use.

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs

are incurred and activities relating to the acquisition, construction or production of the asset that is necessary to prepare the asset for its intended use or sales have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than three months. Capitalisation is suspended until the construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

19. Intangible assets

(1) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from owned or controlled by the Company. Intangible assets include patents, non-patented technology, trademark, copyrights, land use rights, franchises and computer software, etc.

Intangible assets are measured initially at cost. The useful life of intangible assets that arises from contractual or other legal rights should not exceed the period of the rights. For intangible assets without contractual or other legal provisions, the Company shall assess various aspects to determine the time limit for the intangible asset is expected to generate economic benefits for the Company, such as hiring relevant experts to conduct argumentation or comparison with the situation in the same industry and the Company's historical experience, etc. Intangible assets shall be regarded by the Company as having indefinite useful life when, based on the above efforts, there is no foreseeable limit to the period over which the assets are expected to generate economic benefits for the Company. Amortisation shall begin when intangible assets with finite useful life are available for use. Their original value less estimated net residual value and the accumulative amount of accrued impairment reserves are amortised over their useful life by using the straight-line method. Intangible assets with infinite useful life shall not be amortised.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of the period, and makes adjustments if necessary. By the judgment on the basis of the information available, only the intangible assets with any conclusive evidence indicating that the useful life could not be estimated reliably could be recognised as intangible assets with indefinite useful life. The useful life of an intangible asset that is not being amortised shall be reviewed at the end of the period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is evidence that the term of the intangible asset generating economic benefits to the Company is foreseeable, the useful life would be estimated and amortised over its useful life according to the

amortisation policy.

(2) Internal research and development expenditure

Internal research and development expenditures of the Company are classified as research expenditures and development expenditures.

Expenditure during the research phase is recognised in profit or loss in the period in which it is incurred.

Development expenditures may qualify for recognition as intangible assets provided that all of the following criteria are met. Expenditure on the development phase which does not meet the following criteria is recognised in profit or loss when incurred:

- 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) its intention to complete the intangible asset and use or sell it;
- 3) it can be demonstrated that the asset will generate probable future economic benefits;
- 4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- 5) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase.

If the expenditures cannot be distinguished between the research phase and development phase, the Company recognises all of them in profit or loss for the period.

20. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that fixed assets, construction in progress, intangible assets with finite useful life,

investment properties measured at cost model, long-term equity investments and non-current non-financial assets may be impaired. If there is any indication that such assets may be impaired, the recoverable amount is estimated. Goodwill, intangible assets with infinite life and those not ready for intended use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its book value. 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 fair value of assets shall be determined by the price in the sales agreement in fair transactions. If there is an active market in the asset and does not have any sales agreement, the fair value should be what market participants might pay. If there is no active market in the assets and does not have any sales agreement, the fair value of assets is estimated based on the best available information. The costs of disposal include legal expenses, relevant taxes, truckage and direct expenses incurred for placing the assets to the status for sales. The present value of estimated future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate discount rate. The provision for asset impairment is calculated and recognised on the basis of individual assets. When it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that generates cash inflows independently.

Goodwill, separately listed in financial statements, is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups including goodwill are less than its book value. The impairment loss is first allocated to reduce the book

value of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group on the pro-rata basis of the book value of each asset other than goodwill in the group.

Once an impairment loss on assets mentioned above is recognised, it is not reversed in a subsequent period.

21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods together of more than one year. Long-term prepaid expenses are recorded at the actual expenditures and amortised using the straight-line method of the expected periods in which benefits are derived.

If certain long-term prepaid expense item cannot benefit the Company in subsequent accounting period, its remaining amortised amount should be recognised in profit or loss for the current period.

22. Employee benefits

(1) Accounting methods for short-term employee benefits

Short-term employee benefits are employee benefits other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include employee salary, bonus, allowance and subsidy, employee welfare, medical insurance, industrial injury insurance, maternity insurance and other social security contributions, housing fund, labour union fund and employee education fund, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits and other short-term benefits.

During the accounting period in which employees provide service to the Company,

the short-term remuneration actually incurred is recognised as liabilities and included into the current profit or loss or the assets-related cost.

(2) Accounting methods for post-employment benefits

Post-employment benefits are mainly included in defined contribution plan.

Post-employment benefits shall refer to the agreement with employees after the completion of employment, or the regulations or methods prepared by the Company for the post-employment benefits provided to employees. Defined contribution plans are the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Employees of the Company participated in a defined contribution pension insurance in the social insurance system established and managed by government organisations. In an accounting period in which an employee has rendered service to the Company, the Company recognises the contributions payable as a liability, and the related expenditures are either included in the cost of related assets or charged to profit or loss in the period when they are incurred.

(3) Accounting methods for termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the expiration of the labor contract or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

When the Company provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding expense in profit or loss at the earlier of the following dates: 1) when the Company cannot

unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and 2) when the Company recognises costs or expenses related to restructuring that involves the payment of termination benefits.

(4) Accounting methods for other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, long-term disability benefits and long-term profit-sharing, etc.

Other long-term employee benefits provided by the Company to employees shall be accounted according to above provisions in defined contribution plan if such benefits could meet the conditions of defined contribution plan. Besides, the Company shall recognise and measure the net liabilities or net assets of other long-term employee benefits in accordance with relative provisions about on defined benefit plan. At the end of the reporting period, the employee remuneration cost arising from other long-term employee benefits shall be recognised as follow:

- 1) service cost;
- 2) net interest on the other long-term employee benefits liability or asset;
- 3) changes arising from remeasurements of the other long-term employee benefits liability or asset.

The net total of above amounts should be recognised in profit or loss for the period or in the cost of an asset.

23. Provisions

Provisions for warranties, restructuring, onerous contracts etc are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be

made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

(1) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If the contract to be executed is onerous, and the present obligation under the contract meet the above recognition criteria of provision, the part of the estimated loss of the contract exceeding the recognised impairment loss (if any) of the underlying assets of the contract shall be recognised as a provision.

(2) Provisions for restructuring

A public announcement of a detailed formal plan to restructure constitutes a constructive obligation to restructure. A restructuring provision include the direct expenditures arising from the restructuring is recognised only when the general recognition criteria mentioned for provisions are met. Where the restructuring involves the sale of an operation, no obligation arises until the Company is committed

to the sale (ie there is a binding sale agreement).

24. Revenue

(i) **The following accounting policies are applicable to Guofeng Group and its subsidiaries that have not adopted the New Standards for Revenue**

(1) The following recognition criteria must be met when revenue from sale of goods is recognised:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) the amount of revenue can be measured reliably;
- 4) it is probable that the associated economic benefits will flow to the Company;
- 5) the relevant cost incurred or to be incurred can be measured reliably.

The specific methods for the recognition of the Company's revenue from sale of goods:

The Company sells products with the sale model of the supply chain such as coal, steel, non-ferrous metals, etc; revenue is recognised at a point in time when the settlement sheet confirmed by both parties issued. If the contract stipulates clearly that the time point of risk transfer of goods is the buyer's pick-up, revenue is recognised when the buyer's bill of lading issued.

(2) Revenue from rendering of services

When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The outcome of the

transaction involving the rendering of services can be measured reliably, which means that the following conditions are are met:

- 1) the amount of revenue can be measured reliably;
- 2) it is probable that the associated economic benefits will flow to the Company;
- 3) the stage of completion of the transaction can be determined reliably;
- 4) the associated costs incurred or to be incurred can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, the treatment is accounted for according to the following circumstances, respectively:

- 1) when it is probable that the services rendered will be compensated, revenue shall be recognised according to the amount of the labor costs incurred; and the cost shall be carried forward at the same amount;
- 2) when it is not probable that the services rendered will be compensated, revenue is not recognised, and the costs incurred are recognised as expenses for the period.

(3) Revenue both from sale of goods and rendering of services:

When the contract or agreement signed between the Company and other enterprises includes the sale of goods and rendering of service, the treatment is accounted for according to the following circumstances, respectively: if the part of goods sold and the part of services provided can be distinguished and measured separately, the part of services provided shall be treated as the rendering of services. If the part of goods sold and the part of services provided is not distinct, or if they can be distinguished but cannot be measured separately, the part of sale of goods and the part of services provided shall be treated as sale of goods.

(4) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance

sheet date, contract revenue and contract costs shall be recognised at the percentage-of-completion method.

The outcome of a construction contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) the amount of contract revenue can be measured reliably;
- 2) it is probable that the contract associated economic benefits will flow to the Company;
- 3) the actual contract costs incurred can be distinguished clearly and measured reliably;
- 4) the stage of contract completion and costs to be incurred to complete the contract can be determined reliably.

The outcome of a cost plus contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) it is probable that the contract associated economic benefits will flow to the Company;
- 2) the actual contract costs incurred can be distinguished clearly and measured reliably.

The Company adopts the proportion of the accumulated actual contract cost incurred in the total estimated contract cost, and the proportion of the completed contract workload in the total estimated contract workload to determine the stage of completion of a contract.

If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are expected to be recoverable, and contract costs should be expensed as incurred. Instead, contract revenue should not be recognised and contract costs should be expensed as incurred immediately.

(ii) The following accounting policies are applicable to the subsidiaries of the Company that have adopted the New Standards for Revenue

The subsidiaries adopted the New Standards for Revenue include: listed subsidiaries Wanhua chemical, Tayho Advanced Materials, Moon Environment, and a IPO subsidiary, Ishikawa Sealing.

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

The Company has fulfilled the performance obligation in the contract, namely, when the customer obtains control over relevant goods or services, the revenue is recognised according to the transaction price apportioned to the performance obligation. Performance obligations refer to commitment of the Company to transfer a distinct good or service to the customer. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

For performance obligations satisfied during a period of time, the Company shall recognise revenue according to progress of performance within such period. It is a performance obligation satisfied during a period of time if one of the following conditions is met: (a) the customer obtains and consumes economic benefits at the same time of the Company performance; (b) the customer is able to control goods or services in progress during the Company's performance; (c) goods or services generated during the Company's performance have irreplaceable utilisation, and the Company is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Company shall recognise revenue at the point in time when the customer obtains control over relative goods or services.

For performance obligation satisfied during a period of time, the Company determines progress of performance using input method, namely, determines the progress of performance based on the proportion of the accumulative actual cost accounting for the expected total cost. When the progress of performance cannot be reasonably determined, the costs incurred are expected to be compensated, the Company recognises revenue based on the amount of costs incurred till the progress of performance can be reasonably determined.

If there are two or more of performance obligations included in the contract, at the contract inception, the Company allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Company shall allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Company estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Company has made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Company will make accounting treatment for quality warranty liability in accordance with *the Accounting Standard for Business Enterprises No.13 – Contingencies*.

In case of the existence of a significant financing component in the contract, the Company shall determine the transaction price on the assumption that the customer

has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortised using effective interest method during the contract life. At contract inception, if the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Company would not consider the significant component in the contract.

To determine whether the Company is a principal or an agent, the Company identifies the specified goods or services to be provided to the customer, and assesses whether it controls those goods or services before they are transferred to the customer. If the Company can control those goods or services before they are transferred to the customer, the Company is a principal, recognising revenue at the total consideration received or receivable; otherwise, the Company is an agent, recognising revenue at the amount of commissions or service charges expected to be entitled to collection, such amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other related parties, or on established amounts or proportions of commissions.

If the customer paid for the goods or services in advance, the Company shall recognise the amount as liabilities firstly, and then would be recognised as revenue when relevant performance obligations are fulfilled.

25. Government grants

Government grants are a transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government to the Company as an investor. Government grants are divided into grants related to assets and grants related to assets income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at

the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A Government grant measured at a nominal amount shall be recognised directly in profit or loss in the period.

(1) Specific standards for distinguishing government grants related to assets and government grants related to income:

The Company defines that government grants related to assets are grants whose primary condition is that the Company qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

For a government grant that include both the asset-related portion and the income-related portion, the Company shall distinguish different portions for accounting treatment; if it is difficult to distinguish, it shall be classified as income-related a government grant as a whole.

(2) Recognition and measurement of government grants related to assets:

A government grant related to assets is recognised as deferred income according to the total amount method, and evenly amortised to profit or loss on a rational and systematic basis over the useful life of the related asset. Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

(3) Recognition and measurement of government grants related to income:

For the government grants related to income, the accounting treatment of the Company is accounted for as follows:

- 1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss over the periods in which the related costs are recognised;
 - 2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the period.
- (4) Government grants received by the Company related to routine activities are recognised in other income according to the economic nature of business; whereas government grants received by the Company other than those related to routine activities are recognised in non-operating income.

Where a recognised government grant need to be returned, the Company shall conduct accounting treatment in accordance with the following provisions in the period of return:

- 1) if there are relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess shall be included in the profit and loss for the period;
 - 2) in other cases, it shall be recognised directly in the profit and loss for the period.
- (5) Timing of recognition of various government grants involved in the Company

The Company usually recognises and measures the actual amount of government grants when it is actually received. However, a government grant shall be measured at the amount receivable at the end of accounting period when there is conclusive evidence conclusive evidence that the conditions attaching to the grant have been or will be fulfilled and that the grant will be received. Government grants measured at amount receivable shall fulfill the following conditions at the same time: 1) The amount receivable of the grant shall have been confirmed by a document issued by the authorised government department, or it may be reasonably measured according to the relevant provisions of the officially announced fiscal fund management method, and it

is expected that there is no significant uncertainty in the amount; 2) It is based on the financial support projects that have been officially released by the local financial department and that are voluntarily disclosed in accordance with the regulations of the "Government Information Disclosure Regulations", and the administrative measures for financial funds. The management measures should be inclusive (any enterprise that meets the specified conditions can apply), but not specifically for a specific enterprise; 3) The approval documents of relevant grants have clearly promised the appropriation period, and the appropriation of the funds is guaranteed by the corresponding financial budget, thus it can be reasonably guaranteed that it can be received within the specified period; 4) Other relevant conditions that should be satisfied according to the specific conditions of the Company and the grant.

26. Deferred income tax assets/deferred income tax liabilities

Income tax expenses include current income tax and deferred income tax.

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(2) Deferred tax assets and deferred tax liabilities

For temporary differences between the book values of certain assets or liabilities and their tax base, or between the book value of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable

that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction not a business combination that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Offsetting income tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases other than finance leases are classified as operating leases.

(1) The Company as a lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of the related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which

they are actually incurred.

(2) The Company as a lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

(3) The Company as a lessee under finance leases

At the commencement date of the lease, the Company shall recognise the book-entry value of the leased assets at the lower of their fair value and the present value of the minimum lease payments, that of long-term payables at the minimum lease payments and the unrecognised financing costs at the difference between the book-entry value of the leased assets and that of the long-term payables. In addition, the initial direct costs that can be attributed to the leased item in the process of lease negotiation and signing the lease contract are also included in the value of the leased assets.

The Company adopts the effective interest rate method to amortise the unrecognised financing expenses over the lease term of the assets. Contingent rents are charged to profit or loss in the period in which they actually arise. The balance of the minimum lease payment after deducting the unrecognised financing expenses is stated as “long-term liabilities” and “long-term liabilities due within one year”.

(4) The Company as a lessor under finance leases

At the commencement date of the lease, the aggregation of the minimum lease payment receivable from the lessee and initial direct costs is recognised as a

receivable under finance leases, the unguaranteed residual value shall be recorded meanwhile. The difference between the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs and the present value is recognised as unearned finance income.

The unearned finance income shall be recognised as finance income with effective interest rate method over the term of the lease. Contingent rents are recorded into profit or loss of the period in which they actually arise.

The balance of lease payments receivable after deducting the unearned finance income is stated as “long-term receivables” and “long-term receivables due within one year”.

28. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

On 5 July 2017, the MOF issued the revised *Accounting Standards for Business Enterprises No.14 - Revenue* (Cai Kuai [2017] No.22), requiring domestic listed enterprises to implement the New Standard for Revenue from 1 January 2020. The Company has adopted the New Standards for Revenue since 1 January 2020 and adjusted the relevant contents of accounting policies, referring Note III, 12 and 24 for details.

The New Standards for Revenue replaced the *Accounting Standards for Business Enterprises No.14 – Revenue* and *Accounting Standards for Business Enterprises No.15 - Construction contract* (collectively referred to as the “Original Standards for Revenue”) issued by the MOF in 2006. Under the Original Standards for Revenue, the risks and rewards transferred as the judgment criteria of recognition revenue at a point in time applied by Wanhua Chemical, Moon Environment, Tayho Advanced Materials and Ishikawa Sealing, the subsidiaries of the Company. The New Standards

for Revenue have introduced the “5-step method” for recognition and measurement of revenue and added more instructions on specific transactions (or events). Under the New Standards for Revenue, the transfer of control right as the judgment criteria of recognition revenue at a point in time applied by the above subsidiaries of the Company. If the recognition and measurement of revenue before 1 January 2020 was inconsistent with the requirements of the New Standards for Revenue, the above subsidiaries of the Company would retroactively adjust in accordance with the New Standards for Revenue. Any cumulative impact of initially applying the New Standards for Revenue shall be recognised as an adjustment to the retained earnings or other relevant items at 31 December 2020. At the same time, the comparative financial statement data would not be restated by the above subsidiaries.

The cumulative impact of Changes in the above accounting policies as follows:

Due to the implementation of the New Standards for Revenue, the amount of the impact of the relevant adjustment on total equity attributable to equity holders of the Company in the consolidated financial statements on 1 January 2020 is RMB 0, and the amount of the impact on the minority shareholders’ equity is RMB 0. The amount of the impact of relevant adjustments on the shareholders’ equity in the financial statements of the parent on 1 January 2020 is RMB 0. In addition, the other adjustments of financial statements refer to Note III.28. (3) for details.

(2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.

(3) Adjustment to the financial statements at the beginning of the reporting period for the initial implementation of New Revenue standards

Consolidated Statement of Financial Position

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Unite: RMB

Item	31 December 2019	1 January 2020	Adjustment
Current assets:			
Cash and bank balances	7,932,748,409.87	7,932,748,409.87	
Financial assets held for trading	962,909,325.86	962,909,325.86	
Financial assets at fair value through profit or loss	1,701,807,448.91	1,701,807,448.91	
Derivative financial assets	58,694,405.00	58,694,405.00	
Notes receivable	969,070,259.82	969,070,259.82	
Accounts receivable	6,172,212,508.84	5,964,271,040.52	-207,941,468.32
Receivables financing	3,971,731,006.53	3,971,731,006.53	
Prepayments	772,581,580.69	772,581,580.69	
Other receivables	6,369,297,270.38	6,369,297,270.38	
Including: Interests receivable	82,312,644.19	82,312,644.19	
Dividends receivable			
Inventories	10,029,043,148.16	10,029,043,148.16	
Contract assets		207,941,468.32	207,941,468.32
Held-for-sale assets	11,217,184.31	11,217,184.31	
Non-current assets due within one year			
Other current assets	1,580,231,497.59	1,580,231,497.59	
Total current assets	40,531,544,045.96	40,531,544,045.96	
Non-current assets:			
Debt investments	50,000.00	50,000.00	
Available-for-sale financial assets	4,803,871,435.69	4,803,871,435.69	
Other debt investments			
Long-term receivables	1,082,415,075.46	1,082,415,075.46	
Long-term equity investments	1,344,229,465.99	1,344,229,465.99	
Investments in other equity instruments	340,045,046.69	340,045,046.69	
Other non-current financial assets	484,642,567.63	484,642,567.63	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Investment properties	273,888,264.15	273,888,264.15	
Fixed assets	41,544,879,916.35	41,544,879,916.35	
Construction in progress	24,922,813,448.13	24,922,813,448.13	
Productive biological assets			
Oil and gas assets			
Intangible assets	8,139,687,711.99	8,139,687,711.99	
Development expenditure			
Goodwill	2,167,564,139.31	2,167,564,139.31	
Long-term prepaid expenses	62,824,672.42	62,824,672.42	
Deferred tax assets	766,054,357.72	766,054,357.72	
Other non-current assets	3,210,130,986.30	3,210,130,986.30	
Total non-current assets	89,143,097,087.83	89,143,097,087.83	
TOTAL ASSETS	129,674,641,133.79	129,674,641,133.79	
Current liabilities:			
Short-term borrowings	23,430,406,202.59	23,430,406,202.59	
Held-for-trading financial liabilities			
Derivative financial liabilities	40,280,488.36	40,280,488.36	
Notes payable	9,237,591,021.55	9,237,591,021.55	
Accounts payable	9,565,556,996.34	9,565,556,996.34	
Advances from customers	3,032,500,966.90	135,634,827.06	-2,896,866,139.84
Employee benefits payable	1,236,926,345.76	1,236,926,345.76	
Taxes payable	604,272,803.89	604,468,747.03	195,943.14
Other payables	4,242,700,323.76	4,242,700,323.76	
Including: Interests payable	141,373,729.73	141,373,729.73	
Dividends payable	48,494,625.00	48,494,625.00	
Contract liabilities		2,587,321,343.98	2,587,321,343.98
Held-for-sale liabilities			
Non-current liabilities due within one year	3,554,929,366.56	3,554,929,366.56	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Other current liabilities		309,348,852.72	309,348,852.72
Total current liabilities	54,945,164,515.71	54,945,164,515.71	
Non-current liabilities:			
Long-term borrowings	11,372,690,665.45	11,372,690,665.45	
Bonds payable	1,991,611,424.83	1,991,611,424.83	
Including: Preference share			
Perpetual bond			
Long-term payables	961,033,858.67	961,033,858.67	
Long-term employee benefits payable	60,704,908.43	60,704,908.43	
Provisions	288,511,912.52	288,511,912.52	
Deferred income	1,115,349,030.06	1,115,349,030.06	
Deferred tax liabilities	498,586,931.69	498,586,931.69	
Other non-current liabilities	50,609.79	50,609.79	
Total non-current liabilities	16,288,539,341.44	16,288,539,341.44	
TOTAL LIABILITIES	71,233,703,857.15	71,233,703,857.15	
OWNERS' EQUITY:			
Paid-in capital (or Share capital)	10,000,000,000.00	10,000,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve			
Less: Treasury shares			
Other comprehensive income	-32,577,155.68	-32,577,155.68	
Special reserve	8,937,751.17	8,937,751.17	
Surplus reserve	143,552,678.68	143,552,678.68	
Undistributed profits	4,504,822,040.87	4,504,822,040.87	
Total owners' equity attributable to equity holders of the Company	14,624,735,315.04	14,624,735,315.04	
Minority interests	43,816,201,961.60	43,816,201,961.60	

Total owners' equity	58,440,937,276.64	58,440,937,276.64	
TOTAL OWNERS' EQUITY AND LIABILITIES	129,674,641,133.79	129,674,641,133.79	

IV. TAXATION

1. Major categories of taxes and tax rates

(1) Yantai Guofeng Investment Holdings Group Co., Ltd:

Category of tax	Basis of tax computation	Tax rate
Value-added tax (VAT)	Sales excluding tax	6%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Local water conservancy construction fund	Turnover tax payable	0.5%
Enterprise income tax	Taxable income	25%

(2) Wanhua Chemical Group Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate	
		Domestic	Hungary
Value-added tax	The amount of output tax after deduction of input tax	The output tax of the Company's subsidiaries, Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. ("Wanhua Thermal Power") and Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd. ("Yantai Chlor-Alkali") are calculated at 9% of the steam sales, and the output tax of Wanhua Chemical (Ningbo) Port Co., Ltd. ("Wanhua Port") is calculated at 6% of the port service revenue. Except aforementioned companies, other output tax is calculated at 13% of the sales according to the relevant provisions of tax laws.	27%
Business tax	Balances of sales	N/A	2%

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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	income deducting material costs and expenses related to sales		
Urban maintenance and construction tax	Turnover tax payable	5%-7%	N/A
Innovation contribution tax	Balances of sales income deducting material costs and expenses related to sales	N/A	0.3%
Property tax	The market price of land and property	N/A	The land use tax is approximately 3% of the market price of lands (the maximum price is approximately EUR 1.2/square meter). The property tax is approximately 3.6% of the market price of buildings (the maximum price is approximately EUR 6/square meter), which are adjusted annually in accordance with parameters such as CPI.
Environmental protection tax	Discharging weight and volume of waste water, exhaust gas and wastes, traders of energy power, etc.	The range of tax amount of taxable air pollutants is RMB 1.2 to RMB 12 per pollution equivalent and the range of tax amount of water pollutants is RMB 1.4 to RMB 14 per pollution equivalent.	Gas emission of nitrogen oxide: about EUR 0.4 per kg; Discharge of chemical organic waste water: EUR 0.3 per kg based on organic contents. Taxes of wastes landfill: about EUR 0.4 per kg; Power: HUF 310.5 per 1000 kilowatt hour (about EUR 1); Natural gas: HUF 303.8 per 1000 kilowatt hour (about EUR 1); Coal: HUF 2.516 per ton (about

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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			EUR 8, etc).
House property tax	It is calculated and paid at the actual tax rate	The property held by the Company is for business use and is taxed at 1.2% of the original value of the property after a one-time deduction of 30%; the rental property is taxed on the basis of rental income and the applicable tax rate is 12%.	N/A
Enterprise income tax	Taxable income	See the table below	

Note: VAT of Wanhua Chemical mainly levied in China, Hungary and Singapore. The applicable VAT rate in Singapore is 7%.

The domestic and foreign subsidiaries of Wanhua Chemical subject to different enterprise income tax rates are disclosed as follows:

Subject of tax payment	Income tax rates (%)
Wanhua Chemical	15
Wanhua Chemical (Yantai) Petrochemical Co., Ltd.	25
Wanhua Chemical Group Material Co., Ltd.	25
Yantai Wanhua Chemical Design Institute Co., Ltd.	25
Wanhua Chemical Group Energy Co., Ltd.	25
Wanhua Chemical Group Environmental Protection Technology Co., Ltd.	15
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	25
Yantai Xinghua Energy Co., Ltd.	25
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd.	25
Wanhua Chemical (Ningbo) Co., Ltd.	15
Wanhua Chemical (Ningbo) Port Co., Ltd.	25
Wanhua Chemical (Ningbo) Trading Co., Ltd.	25
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd.	15
Wanhua Chemical (Guangdong) Co., Ltd.	15

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Subject of tax payment	Income tax rates (%)
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	25
Zhuhai Wanhua Real Estate Development Co., Ltd.	25
Wanhua Chemical (Sichuan) Co., Ltd.	25
Wanhua Chemical (Beijing) Co., Ltd.	15
Beijing Juliwei Technology Co., Ltd.	25
Shanghai Wanhua Industrial Development Co., Ltd.	25
Shanghai Wanhua Keju Chemical Technology Development Co., Ltd.	25
Wanhua Chemical (Hong Kong) Co., Ltd.	16.5
Wanhua Chemical (America) Co., Ltd.	21
Wanhua Chemical US Holding Inc.	21
Wanhua North America Service Co., Ltd.	21
Wanhua Chemical US Production LLC	21
Wanhua Shipping (Singapore) Co., Ltd.	17
Wanhua Chemical International Pte. Ltd.	17
Wanhua Chemical (Japan) Co., Ltd.	23.2
Wanhua International (India) Private Limited.	25.17
Wanhua Chemical (Hungary) Holding Co., Ltd.	9
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	25
Yantai Recycled Water Co., Ltd.	25
Wanhua Chemical (Yantai) Selling Co., Ltd.	25
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	25
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	25
Ningbo Xinda Mingzhou Trading Co., Ltd.	25
Wanhua Chemical (Singapore) Co., Ltd.	17
Whilsun Trading Pte. Ltd.	17
Wanhua Chemical (Korea) Co., Ltd.	10.20

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Subject of tax payment	Income tax rates (%)
Yantai Xinghua New Materials Technology Co., Ltd.	25
Chematur Technologies AB	21.4
Chematur Engineering AB	21.4
Yantai Xinyuan Investment Co., Ltd.	25
Yantai Xinyi Investment Co., Ltd.	25
Yantai Chenfeng Investment Co., Ltd.	20
BC Chlor-Alkali Ltd.	9
Borsod Chenfeng Chemical Kft.	9
Sino-Hungarian Borsod Economic Cooperation Area Development Company Ltd.	9
Wanhua International Resources Co., Ltd.	16.5
Wanhua International Holding Co., Ltd.	16.5
Mount Tai Chemical Holding Company S.á.r.l.	24.94
BorsodChem Zrt.	9
BorsodChem (Yantai) Co., Ltd.	25
BorsodChem MCHZ,s.r.o.	19
BorsodChem Italia S.r.l.	27.9
BC-KC Formalin Kft.	9
BC-Energiakereskedő Kft.	40
BC ErőműKft.	40
BC-Therm Kft.	9
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	34
Polimer Szolgáltató Kft.	9
BC Power Energiatermelő II Kft.	40
Wanhua BorsodChem Rus LLC.	20
Wanhua Chemical (Fujian) Co., Ltd.	25
Wanhua Chemical (Fujian) Isocyanate Co., Ltd.	25

*NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020*

Subject of tax payment	Income tax rates (%)
Wanhua Chemical (Fujian) International Trade Co., Ltd.	25
Wanhua Chemical (Sichuan) Selling Co., Ltd.	25
Yantai Zhuoneng Battery Co., Ltd.	25
Wanhua Chemical Group Electronic Materials Co., Ltd.	25
Wanhua Chemical Mexico Co., Ltd.	30
Wanhua Chemical (Fujian) Wharf Co., Ltd.	25
Fujian Fuhua Tianchen Gas Co., Ltd.	25
Wanhua Chemical Group Equipment Operation and Maintenance Management Co., Ltd.	25

(3) Yantai Tayho Advanced Materials Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenues	13%, 9%, 6%, 5%, 3%
Urban maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Taxable income	25%, 20%, 15%
House property tax	70% of the original value of the property / rental income	1.2%/12%
Land use tax	The actual land use area occupied	RMB 2-13 /m ²
Educational surcharges	Turnover tax payable	3%, 1.5%
Local educational surcharges	Turnover tax payable	2%, 1.5%
Water conservancy construction fund	Turnover tax payable / Revenue from sales of goods	1%, 0.5%/0.07%
Water resources tax	Actual water consumption	RMB 0.4/ m ³

The taxpayers with different income tax rates are disclosed as follows:

Subject of tax payment	Income tax rates
Yantai Tayho Advanced Materials Co., Ltd.	15%
Yantai MetaStar Special Paper Co., Ltd. ("MetaStar Company")	15%

Subject of tax payment	Income tax rates
Yantai Yuxing Paper Products Co., Ltd.	20%
Yantai Xinghua Spandex Co., Ltd.	25%
Yantai Yuxiang Fine Chemical Co., Ltd.	25%
Yantai Niushida Spandex Co., Ltd.	25%
Yantai Taipulong Advanced Manufacturing Technology Co., Ltd. (“Yantai Taipulong”)	15%
Yantai Tayho Fashion Technology Co., Ltd.	20%
Yantai Taixiang Property Management Co., Ltd.	20%
Ningxia Ningdong Tayho Advanced Materials Co., Ltd. (“Ningdong Tayho”)	15%
Ningxia Tayho Aramid Co., Ltd. (“Ningxia Tayho”)	15%
Ningxia Taipulong Advanced Manufacturing Technology Co., Ltd. (“Ningxia Taipulong”)	15%

(1) According to Lu Zheng Ban Zi (2017) No.83 notice of the general office of Shandong Provincial People’s Government on further cleaning up and standardising government funds and administrative and institutional charges, “from 1 June 2017 to 31 December 2020, the local water conservancy construction fund shall be levied by half, that is, the enterprises, institutions and self-employed persons who pay value-added tax and consumption tax in the administrative region of Shandong Province shall be subject to tax reduction, the collection proportion of local water conservancy construction fund is adjusted from 1% of the actual payment of value-added tax and consumption tax to 0.5%”.

(4) Yantai Moon Group Co., Ltd., Yantai Moon Holding Co., Ltd., Yantai Moon Investment Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Output tax less deductible input tax	20%, 16%, 14%, 13%, 10%, 9%, 6%, 5%, 3%, etc. (Note 1)
Urban maintenance and construction tax	Actual payment of VAT	1%, 5%, 7%
Educational surcharges	Actual payment of VAT	3%
Local educational surcharges	Actual payment of VAT	2%
Sales tax	Sales revenue	(Note 2)
Enterprise income tax	Taxable income	(Note 3)

Note 1: The output tax of Moon Environment and its domestic subsidiaries is calculated at the tax rates of 13%, 9% and 6% according to the domestic tax law, and the engineering project is levied at the tax rate of 9%; The policy of simple levy of 5% is implemented for rent income, the technical service income is levied at the rate of 6%, and the interest income of entrusted loan is levied at the rate of 6%; Dunham-Bush International (Africa) (Pty) Limited, a South African subsidiary of Moon Environment, is charged output tax at the rate of 14% in accordance with South African tax laws; the output tax of Dunham-Bush Limited, a British subsidiary of Moon Environment, is calculated at the tax rate of 20% in accordance with the British tax law; the output tax of Dunham-Bush Vietnam Co., Ltd., a Vietnam subsidiary of Moon Environment, is calculated at the rate of 10% in accordance with the tax law of Vietnam.

Note 2: Dunham-Bush sales & services Sdn. Bhd and Dunham-Bush industries Sdn. Bhd, the Malaysian subsidiaries of Moon Environment, pay sales tax at the rate of 10% according to the Malaysian tax law.

Note 3: The enterprise income tax rates of domestic and overseas subsidiaries of Moon Environment are shown in the table below:

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Subject of tax payment	Income tax rate
Yantai Moon Group Co., Ltd	25%
Moon Environment	15%
Yantai Moon Foundry Co., Ltd.	25%
Yantai Moon Intelligent Machinery Technology Co., Ltd.	25%
Yantai Moon Engineering Technology Co., Ltd.	25%
Yantai Moon Compressor Co., Ltd.	25%
Yantai Moon (Vietnam) Co., Ltd.	20%
Yantai Moon Refrigeration and Air Conditioning Energy Saving Service Co., Ltd. ("Moon Refrigeration")	25%
Yantai Moon Energy Saving Technology Co., Ltd.	15%
Yantai Caiyue Light Alloy Technology Co., Ltd.	25%
Yantai Moon Environmental Protection Technology Co., Ltd.	25%
Moon Intelligent New Energy Technology (Shandong) Co., Ltd.	25%
Shandong Moon Hydrogen Energy Technology Research Institute	25%
Shandong Lushang Moon Architecture Design Co., Ltd.	15%
Beijing Huayuan taimeng Energy-saving Equipment Co., Ltd.	15%
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	15%
Yantai Moon Heat Exchange Technology Co., Ltd.	25%
Yantai Moon Pressure Vessel Co., Ltd.	25%
Yantai Moon Medicine Equipment Co., Ltd.	25%
Yantai Moon Intelligent Freeze-Drying Technology Co., Ltd.	25%
Yantai Dunham-Bush Compressor Co., Ltd.	25%
Yantai Moon Group (Hong Kong) Co., Ltd.	16.5%
Dunham-Bush (China) Industry Co., Ltd.	15%
Dunham-Bush (Yantai) Energy Technology Co., Ltd.	25%
Dunham-Bush Industries Sdn. Bhd	24%
Dunham-Bush Sales&Services Sdn. Bhd	24%

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Subject of tax payment	Income tax rate
Dunham-Bush International Pte Ltd	17%
Dunham-Bush Sales&Service(s) Pte Ltd	17%
Dunham-Bush International (Africa) (Pty.) Limited	28%
Dunham-Bush Limited	Extra progressive tax rate: 20%-23.75%
Dunham-Bush International (Cayman) Limited	0%
Dunham-Bush Mena JLT	0%
Dunham-Bush USA LLC	Extra progressive tax rate: 15%-38%
Dunham-Bush Vietnam Co., Ltd.	20%
Dunham-Bush Holding Bhd	24%
Dunham-Bush International (India) Private Limited	25%
Pt. Yantai Moon Indonesia	25%

(5) Wanhua Industrial Group Co., Ltd. (Wanhua Industry):

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Revenue from sales of goods and taxable services	3%, 5%, 6%, 9%, 13%
Urban maintenance and construction tax	Turnover tax	7%
Educational surcharges	Turnover tax	3%
Local educational surcharges	Turnover tax	2%
Enterprise income tax	Taxable income	25%
House property tax	70% of the original value of the self-used property is taken as the tax basis, and the applicable tax rate is 1.2%; Rental real estate is based on rental income, and the applicable tax rate is 12%.	

(6) Other subsidiaries:

Category of tax	Basis of tax computation	Tax rate
Value-added tax	The output tax is calculated on the basis of the revenue from sales of goods and taxable services under the tax law. After deducting the input tax allowed to be	16%, 13%, 10%, 9%, 5%, 3%

Category of tax	Basis of tax computation	Tax rate
	deducted in the current period, the difference is the value-added tax payable.	
Urban maintenance and construction tax	Calculated and paid at the actual turnover tax paid	7%
Educational surcharges	Calculated and paid at the actual turnover tax paid	3%
Local educational surcharges	Calculated and paid at the actual turnover tax paid	2%
Local water conservancy construction fund	Calculated and paid at the actual turnover tax paid	0.5%
Enterprise income tax	Calculated and paid at the taxable income	25%, 20%, 15%
Land use tax	Land Area	RMB 11.2 /m ²

2. Tax preference

(1) Enterprise income tax

1) According to Guo Ke Huo Zi [2020] No.216 - "Reply on the Record of the First batch of High-tech Enterprises in Shandong Province in 2020", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical is qualified for the high and new technology enterprise (Certificate No.: GR202037000153) with effective period of three years. This is the re-identification of Wanhua Chemical after the expiration of the original high-tech enterprise certificate, and has been levied at a preferential tax rate of 15% from 1 January 2020 to 31 December 2022 (2019 Income tax rate: 15%).

In accordance with the Article 1 of Announcement No.60 [2019] of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Ecology and Environment, the enterprise income tax on eligible third-party enterprises engaged in pollution prevention and control shall be levied at the reduced rate of 15%. Wanhua Chemical Group Environmental Protection Technology Co., Ltd., a subsidiary of Wanhua Chemical, met the relevant conditions

in April 2020, and the enterprise income tax was levied at a reduced rate of 15% for the current year.

According to Guo Ke Huo Zi [2020] No.13 - "Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical (Ningbo) Co., Ltd., a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100594) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to Guo Ke Huo Zi [2020] No.13 - "Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019", issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Ningbo Rongwei, a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100463) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to the "Notice on Publicizing the First Batch of 2018 Proposed High and New Technology Enterprises in Guangdong Province" issued by the Leading Team Office for Management of National High-tech Enterprise Determination, Wanhua Chemical (Guangdong) Co., Ltd., a subsidiary of Wanhua Chemical, is qualified for the high and new technology enterprise with an effective period of three years (Certificate No.: GR201844001177), and has been subject to the favorable enterprise income tax rate from 1 January 2018 to 31 December 2020. Review of taxation for high-tech qualification of Wanhua Guangdong is in progress and is expected to be completed in 2021.

According to Guo Ke Fa Huo [2021] No.37, - "Reply on the Record of the Third batch of High-tech Enterprises in Beijing in 2020" issued by Science and Technology

Torch High Technology Industry Development Center, the subsidiary of Wanhua Chemical, Wanhua Chemical (Beijing) Co., Ltd. is qualified for the high and new technology enterprise (Certificate No.: GR202011004144) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2020 to 31 December 2022.

According to local tax laws in India, the applicable tax rate of Wanhua International (India) Private Limited., a subsidiary of Wanhua Chemical, is 25.17%.

According to local tax laws in Singapore, the applicable tax rate of Wanhua Chemical (Singapore) Co., Ltd., a subsidiary of Wanhua Chemical, is 17%. Wanhua (Singapore) is entitled to enjoy favorable tax rate after meeting corresponding trade conditions as it is included in global trading enterprises supported by Singapore Global Trade Plan.

According to local tax laws of Korea, calculation method for excess progressive of enterprise income tax is applied by Wanhua Chemical (Korea) Co., Ltd., a subsidiary of Wanhua Chemical, tax rate for the part of taxable income less than KRW 200 million is 10%; tax rate for the part of taxable income more than KRW 200 million but less than KRW 20 billion is 20%; tax rate for the part of taxable income more than KRW 20 billion is 22%.

According to the Document No.2 of the State Administration of Taxation of 2019, from 1 January 2019 to 31 December 2021, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20%. Yantai Chenfeng Investment Co., Ltd., a subsidiary of Wanhua Chemical, satisfies the criteria of small and low-profit enterprise and are entitle to the tax preference.

According to the local tax law of Luxembourg, in 2020, Mount Tai Chemical Holding Company S.à.r.l., a subsidiary of Wanhua chemical, the central income tax is 17% (plus surcharged unemployment tax of 7%), local income tax is 6.75%, and

comprehensive income tax rate is 24.94%.

Borsodchem Zrt., a subsidiary of Wanhua Chemical, satisfied criteria for newly added jobs and project investments required by the government of Hungary and European Union, so the Company is entitled to relevant tax credits of EUR 92,534,739 (equivalent to approximately RMB 742,591,279) (which is finally determined by the actual amount of project investments) to the maximum extent; after deducting the utilized part, there is still EUR 71,644,998 (equivalent to approximately RMB 574,951,106) of tax credits not used yet. Borsodchem Zrt. can choose to utilize the tax credits after completion of the project and before maturity of the tax credit period. 80% taxes payable for the year can be exempted to the maximum extent every year.

The government of Hungary additionally levied 31% enterprise income tax against companies engaged in energy transaction based on the legal tax rate, the actual income tax rate is 40%. BC energiakereskedő Kft., a subsidiary of Wanhua Chemical, is levied at above tax rate.

2) Tayho Advanced Materials obtains the certificate of high-tech enterprise in 2020 and enjoys the preferential enterprise income tax rate of 15% in 2020. Yantai Taipulong and MetaStar Company, subsidiaries of Tayho Advanced Materials, were recognised as high-tech enterprises in 2018 and have been levied at a preferential tax rate of 15% in 2020. Ningdong Tayho, a subsidiary of Tayho Advanced Materials, obtained the certificate of high-tech enterprise in 2019 and has been levied at a preferential tax rate of 15% in 2020.

According to Cai Shui [2018] No.76 - "Notice on Extending the Period of Carrying Forward Losses of High-tech Enterprises and Technology-based Small and Medium-sized Enterprises" issued by the MOF and the State Administration of Taxation, from 1 January 2018, the outstanding losses of the enterprises with the qualification of high-tech enterprises or technology-based small and medium-sized enterprises in the first five years of the qualification year are allowed to be carried

forward to make up for the subsequent years. The longest period of carrying forward losses is extended from 5 years to 10 years.

According to the Notice of the MOF, the General Administration of Customs and the State Administration of Taxation on the Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (Cai Shui [2011] No.58), from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to Ning Zheng Fa (2012) No.97 – “The Preferential Policies for Investment Promotion and Investment Promotion in Ningxia Hui Autonomous Region (Revised)”, new industrial enterprises or new industrial projects belonging to the encouraged category enjoy preferential tax rates for western development. Besides, the local share of enterprise income tax would be exempted from the first year to the third year from the tax year of the first income; the local share of enterprise income tax would be reduced by half from the fourth to the sixth years. Ningdong Tayho, Ningxia Tayho and Ningxia Taipulong meet the qualification of enterprises attracting investment and are encouraged industrial enterprises. The enterprise income tax rate is reduced to 15%, and the local share of enterprise income tax is exempted from the first year to the third year, and the local share part of enterprise income tax would be reduced by half from the fourth to the sixth year.

According to the article II of the Notice of the MOF and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Cai Shui [2019] No.13): from 1 January 2019 to 31 December 2021, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB 1 million but not exceeding RMB 3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%. Yantai Tayho Fashion Technology Co., Ltd., Yantai Yuxiang Fine Chemical Co., Ltd. and Yantai Yuxing Paper Products Co., Ltd., subsidiaries of Tayho Advanced

Materials, satisfy the criteria of small and low-profit enterprise and the applicable tax rate of enterprise income tax is 20%.

3) In December 2017, Moon Environment was approved by Shandong Provincial Department of Science and Technology and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The high-tech enterprise qualification certificate number is GR201737001277, which is valid from January 2017 to December 2019. According to Lu Ke Zi [2020] No.136 - "the Announcement of the List of the First Batch of High-tech Enterprises in Shandong Province in 2020", issued by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, and Shandong Taxation Bureau of the State Administration of Taxation, Moon Environment is recognised as a high-tech enterprise after the review in 2020. The qualification certificate number is GR202037000189, and the high-tech enterprise qualification certificate currently has not been processed.

Shandong Lushang Moon Architecture Design Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in December 2016 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. It was reviewed and passed in November 2019, and the certificate number is GR201937001434, which is valid from January 2020 to December 2022.

Beijing Huayuan Taimeng Energy-Saving Equipment Co., Ltd., a subsidiary of Moon Environment, was approved by Beijing Municipal Science and Technology Commission in July 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201811000514, which is valid from January 2018 to December 2020.

Shandong Shenzhou Refrigeration Equipment Co., Ltd., a subsidiary of Moon

Environment, was approved by Shandong Provincial Department of Science and Technology in November 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837001293, which is valid from January 2018 to December 2020.

Dunham-Bush (China) Industry Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in August 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837000346, which is valid from January 2018 to December 2020.

Yantai Moon Energy Saving Technology Co., Ltd., a subsidiary of Moon Environment, was approved by Science and Technology Department of Shandong Province in December 2020 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR202037000467. For details, please refer to the notice on Announcement of the First batch of Recognition List of High-tech Enterprises in Shandong Province in 2020 announced by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, and Shandong Taxation Bureau of the State Administration of Taxation (Lu Ke Zi [2020] No.136). The qualification certificate of high-tech enterprises currently has not been processed.

4) Yantai Ishikawa Sealing Technology Co., Ltd., a subsidiary of Yantai Mingxiang Holdings Co., Ltd., continued to pass the high-tech enterprise identification in 2017 and enjoyed the preferential income tax rate of 15% from 1 January 2017 to 31 December 2019. In 2020, the company continued to pass the high-tech enterprise identification and obtained the high-tech enterprise certificate of GR202037000499, enjoying the preferential income tax rate of 15% in 2020.

5) Yantai Guosheng Investment Management Co., Ltd., a subsidiary of Yantai

Guosheng Investment Holding Co., Ltd. (hereinafter referred to as “Guosheng Investment Company”) satisfies the criteria of the Notice of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Cai Shui [2019] No.13) issued by the MOF, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20% (ie. the actual enterprise income tax burden is 5%).

(2) Value-added tax (VAT)

1) Tayho Advanced Materials and MetaStar Company implement the policy of “exemption, offset and refund” for export commodities.

According to the Announcement of the MOF, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform [2019] No.39: For export goods and services with 16% tax rate and 16% export tax rebate rate, the export tax rebate rate shall be adjusted to 13%; For export goods and cross-border taxable activities that were originally subject to 10% tax rate and 10% export tax rebate rate, the export tax rebate rate would be adjusted to 9%.

Before 30 June 2019 (including on 1 April 2019), taxpayers exporting goods involved services and has cross-border taxable behavior mentioned in the preceding paragraph, where the method of “exemption and refund” for VAT is applicable, if VAT has been collected at the rate before the adjustment at the time of purchase, the export rebate rate before the adjustment shall be implemented, and if VAT has been collected at the rate after the adjustment at the time of purchase, the export rebate rate after the adjustment shall be implemented; Where the method of “exemption, offset and refund” for VAT is applicable, the export tax rebate rate before adjustment shall be implemented. In the calculation of tax exemption for VAT, if the applicable tax rate is lower than the export tax rebate rate, the difference between the applicable tax rate

and the export tax rebate rate shall be deemed as zero for the calculation of tax exemption for VAT. As of 31 December 2019, the Company's export tax rebate rate is 13%.

(3) The other major preferential tax benefits

1) According to the notice on issues related to urban land use tax of high tech enterprises (Lu Cai Shui [2019] No.5) (valid until 26 January 2022): high tech enterprises identified before 31 December 2018 shall pay urban land use tax at 50% of the current standard from 1 January 2019. Tayho Advanced Materials would pay 50% of urban land use tax in 2020.

According to Ning Di Shui Fa [2015] No.102 "the notice of the Local Taxation Bureau of the Autonomous Region on the Implementation of Preferential Tax Policies for Accelerating the Opening up of Ningxia Construction", for the newly established industries that are invested in Ningxia and are engaged in the development that is not restricted or encouraged by the state, the self-used urban land and self-used house property are entitled to the land use tax and house property tax preference of "3-year tax exemption followed by 3-year tax 50%-reduction". Relevant tax deduction and exemption record registration have been processed, Ningxia Ningdong Company, Tayho Aramid Company and Ningxia Taipulong Company are applicable to the above provisions and the land use tax and house property tax of own-used part have been exempted.

According to the Notice of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Lu Cai Shui [2019] No.6), Shandong Province reduced resource tax, urban maintenance and construction tax, house property tax, urban land use tax and stamp duty (excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. Taixiang Investment Company adopts

this policy paying urban maintenance and construction tax, urban land use tax, stamp duty, educational surcharges and local education surcharges at 50% of the applicable tax rate in 2020.

2) According to the article III of the Notice of the MOF and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Cai Shui [2019] No.13): The people's Government of a province, autonomous region or municipality directly under the central government may, according to the actual situation of the region and the needs of macro-control, reduce the resource tax, urban maintenance and construction tax, house property tax, urban land use tax and stamp duty (excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers. Guosheng Investment Company satisfies the criteria of small and low-profit enterprise and is entitle to the tax preference.

V. NOTES TO THE COSOLIDATED FINANCIAL STATEMENTS

The financial statements disclosed below, unless otherwise stated, the end of the period (or closing) refers to 31 December 2020 and the beginning of the year (or opening) refers to 31 December 2019. The current period refers to 1 January 2020 to 31 December 2020 and the prior period is from 1 January 2019 to 31 December 2019. The financial statements are presented in RMB.

1. Cash and bank balances

Item	Closing balance	Opening balance
Cash on hand	1,442,493.59	2,146,298.21
Bank balances	26,311,191,502.02	7,515,002,489.86

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Other currency funds	362,483,950.88	415,599,621.80
Total	26,675,117,946.49	7,932,748,409.87
Including: cash and bank balances deposited overseas	241,596,437.39	1,062,865,400.50

The restricted currency funds details are as follows:

Item	Closing balance	Opening balance
Deposits for issuing bank acceptance bills	164,691,545.52	132,937,100.98
Deposits for land reclamation	10,804,086.42	6,436,854.50
Deposits for letter of credit, LPG paper deposits and procurement deposits	136,696,938.84	50,155,584.00
Deposit for letter of guarantee	20,235,954.53	37,523,505.30
Deposits for product registration, tax authorities and railway authorities	12,019,113.08	12,238,678.87
Deposits for borrowings		2,720,000.00
The court freezes funds	30,000,000.00	30,000,000.00
Deposits for migrant workers' salary	2,664,455.54	454,302.25
Deposit for account opening		10,000.00
Others	553,722.05	
Total	377,665,815.98	272,476,025.90

2. Financial assets held for trading

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss	791,264,957.06	962,909,325.86
Including: Investment in debt instrument	782,927,082.39	956,128,755.30
Investment in equity instrument	8,337,874.67	6,780,570.56
Designated as financial assets at fair value through profit or loss		
Including: Investment in debt instrument		
Investment in equity instrument		
Total	791,264,957.06	962,909,325.86

3. Financial assets at fair value through profit or loss

Item	Closing balance	Opening balance
Financial assets held for trading	12,470,174.60	37,807,448.91
Including: Investment in debt instrument		
Investment in equity instrument	2,567,174.60	37,807,448.91
Others	9,903,000.00	
Designated as financial assets at fair value through profit or loss	1,733,100,000.00	1,664,000,000.00
Including: Investment in debt instrument		
Investment in equity instrument		
Others	1,733,100,000.00	1,664,000,000.00
Total	1,745,570,174.60	1,701,807,448.91

4. Derivative financial assets

Item	Closing balance	Opening balance
Multi-currency interest rate swap contract	1,621,050.00	56,232,522.50
Liquefied petroleum gas (LPG) OTC transaction contract	16,005,579.70	
Natural gas swap contract	42,580,650.00	
Foreign exchange swap contract	1,661,175.00	2,461,882.50
Total	61,868,454.70	58,694,405.00

5. Notes receivable

(1) Categories of notes receivable:

Category	Closing balance	Opening balance
Bank acceptance bills	570,316,553.48	960,242,758.81
Commercial acceptance bills	15,817,469.97	8,827,501.01
Total	586,134,023.45	969,070,259.82

(2) Notes receivables have been pledged by the Company at the end of the year:

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Item	Pledged amount at the end of the year
Bank acceptance bills	130,523,975.95
Total	130,523,975.95

(3) Notes receivable that have been endorsed or discounted on the balance sheet date but not overdue:

Item	Amount of derecognised at the end of the period	Amount of non-derecognised at the end of the period
Bank acceptance bills	401,106,905.83	36,332,379.19
Commercial acceptance bills		6,170,000.00
Total	401,106,905.83	42,502,379.19

(4) At the end of the period, no notes receivables were transferred to accounts receivable by the Company due to the non-performance of the drawer.

(5) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis					
Provision for bad debt on a collective basis	591,390,977.49	100.00	5,256,954.04	0.89	586,134,023.45
Total	591,390,977.49	100.00	5,256,954.04	0.89	586,134,023.45

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

				(%)	
Provision for bad debt on an individual basis					
Provision for bad debt on a collective basis	971,321,222.12	100.00	2,250,962.30	0.23	969,070,259.82
Total	971,321,222.12	100.00	2,250,962.30	0.23	969,070,259.82

1) Provision for bad debt on a collective basis

Item	Closing balance		
	Notes receivable	Provision for bad debt	Proportion of provision (%)
Risk free portfolio	480,994,942.73		
Bank acceptance bill portfolio with lower risk	92,913,567.95	4,424,455.62	5.00
Commercial acceptance bill portfolio	17,482,466.81	832,498.42	5.00
Total	591,390,977.49	5,256,954.04	0.89

(6) Movements in the provision for bad debt of notes receivable

Category	Opening balance	Changes during the reporting period			Closing balance
		Provision	Recovery or reversals	Written off	
Provision for bad debt on a collective basis	2,250,962.30	3,005,991.74			5,256,954.04
Total	2,250,962.30	3,005,991.74			5,256,954.04

(7) There were no notes receivable actually written off in 2020.

6. Accounts receivable

(1) Disclosed by aging

Aging	Closing book balance
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Within 1 year (including 1 year)	8,671,160,103.20
1 to 2 years	337,560,435.03
2 to 3 years	129,759,645.08
Over 3 years	220,004,561.44
Total	9,358,484,744.75

(2) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	169,237,902.86	1.81	1,213,397.90	0.72	168,024,504.96
Provision for bad debt on a collective basis	9,189,246,841.89	98.19	736,577,416.61	8.02	8,452,669,425.28
Including: Provision for bad debt is made based on aging	2,381,625,053.25	25.45	237,989,801.53	9.99	2,143,635,251.72
Provision for bad debt is made based on overdue aging	6,807,621,788.64	72.74	498,587,615.08	7.32	6,309,034,173.56
Total	9,358,484,744.75	100.00	737,790,814.51	7.88	8,620,693,930.24

(Continued)

Category	Opening balance				Book value
	Book balance		Provision for bad debt		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	178,255,992.24	2.59	50,457,078.36	28.31	127,798,913.88

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Provision for bad debt on a collective basis	6,702,001,800.72	97.41	657,588,205.76	9.81	6,044,413,594.96
Including: Provision for bad debt is made based on aging	1,884,783,067.48	27.39	273,447,082.15	14.51	1,611,335,985.33
Provision for bad debt is made based on overdue aging	4,817,218,733.24	70.02	384,141,123.61	7.97	4,433,077,609.63
Total	6,880,257,792.96	100.00	708,045,284.12	10.29	6,172,212,508.84

1) Provision for bad debt on an individual basis

Content of accounts receivable	Closing balance			
	Book balance	Provision for bad debt	Proportion of provision (%)	Reasons of provision
Company 1	40,000,000.00			Expected to be recovered fully
Company 2	35,000,000.00			Expected to be recovered fully
Company 3	30,000,000.00			Expected to be recovered fully
Company 4	15,000,000.00			Expected to be recovered fully
Company 5	15,000,000.00			Expected to be recovered fully
Company 6	14,319,738.00			Expected to be recovered fully
Company 7	12,000,000.00			Expected to be recovered fully
Company 8	1,000,000.00			Expected to be recovered fully
Others	6,918,164.86	1,213,397.90	17.54	
Total	169,237,902.86	1,213,397.90	0.72	

2) Provision for bad debt on a collective basis

(a) Provision for bad debt is made based on aging:

Aging	Closing balance
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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	Book balance	Provision for bad debt	Proportion of provision (%)
Within 1 year	1,871,538,802.05	49,306,603.20	2.63
1 to 2 years	194,292,503.94	19,454,814.01	10.01
2 to 3 years	121,908,902.19	24,386,854.01	20.00
Over 3 years	193,884,845.07	144,841,530.31	74.70
Total	2,381,625,053.25	237,989,801.53	9.99

(b) Provision for bad debt is made based on overdue aging:

Aging	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision (%)
Not overdue	6,334,676,061.79	345,866,225.28	5.46
Overdue 1-30 days	331,150,685.29	66,923,781.60	20.21
Overdue 31-60 days	65,347,447.57	14,547,585.90	22.26
Overdue 61-90 days	11,035,632.61	5,838,060.92	52.90
Overdue over 91 days (inclusive)	65,411,961.38	65,411,961.38	100.00
Total	6,807,621,788.64	498,587,615.08	7.32

(3) Movements in the provision for bad debt of account receivables

Category	1 January 2020	Changes during the reporting period					31 December 2020
		Provision	Recovery or reversals	Increase of change in consolidation scope	Written off	Differences arising on translation of financial statements denominated in foreign currencies	
Provision for bad debt	692,290,463.81	289,751,953.35	183,605,743.19	-40,924,454.06	18,746,189.32	-975,216.08	737,790,814.5
Total	692,290,463.81	289,751,953.35	183,605,743.19	-40,924,454.06	18,746,189.32	-975,216.08	737,790,814.5

(4) Actual write-off of accounts receivable for the year:

Item	Write-off amount
Actual write-off of accounts receivable	18,746,189.32

(5) Top five accounts receivable in terms of the closing balance collected by debtors

For period ended 31 December 2020, the top five accounts receivable in terms of the closing balance collected by debtors hold the balance of RMB 655,307,371.47, which accounts for 7.00% of total amount receivable balance. The corresponding aggregate closing balance of provision for bad debts is RMB 3,721,298.91.

(6) There were no accounts receivable derecognised due to the transfer of financial assets in the period.

(7) There were no transfer of accounts receivable and the amount of assets and liabilities arising from continuing involvement in the period.

7. Receivables financing

(1) Categories of receivables financing:

Item	Closing balance	Opening balance
Bank acceptance bills	4,224,819,812.43	3,352,970,622.86
Commercial acceptance bills	1,048,836,774.08	618,760,383.67
Total	5,273,656,586.51	3,971,731,006.53

(2) Receivables financing that have been endorsed or discounted on the balance sheet date but not overdue:

Item	Amount of derecognised at the end of the period	Amount of non-derecognised at the end of the period
Bank acceptance bills	7,748,056,955.19	
Commercial acceptance bills	590,041,870.48	
Total	8,338,098,825.67	

(3) Notes receivable have been pledged by the Company at the end of the year:

Item	Amount of derecognised at the end of the period
Bank acceptance bills	333,252,515.74
Commercial acceptance bills	123,728,518.52
Total	456,981,034.26

8. Prepayments

(1) Presentation of prepayments by aging:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,425,318,924.78	98.40	747,273,779.38	96.73
1 to 2 years	13,185,436.37	0.91	14,460,567.02	1.87
2 to 3 years	7,128,709.16	0.49	4,045,859.01	0.52
Over 3 years	2,941,285.62	0.20	6,801,375.28	0.88
Total	1,448,574,355.93	100.00	772,581,580.69	100.00

(2) Top five prepayments in terms of the closing balance collected by prepaid objects:

As at 31 December 2020, top five prepayments in terms of closing balance collected by prepaid objects amounted to RMB 374,895,338.10, accounting for 25.88% of the total closing balance of prepayments.

9. Other receivables

Item	Closing balance	Opening balance
Interests receivable	38,897,438.05	82,312,644.19
Dividends receivable	26,950,000.00	
Other receivables	6,376,487,996.39	6,286,984,626.19
Total	6,442,335,434.44	6,369,297,270.38

(1) Interests receivable

1) Categories of interest receivable:

Item	Closing balance	Opening balance
Multi-currency interest rate swap	1,380,300.00	13,528,630.50
Interests on borrowings		26,281,016.63
Interests on term deposits	10,821,729.43	42,160,384.43
Entrusted loans	414,391.99	
Others	26,281,016.63	342,612.63
Total	38,897,438.05	82,312,644.19

(2) Dividends receivable

Item (Investee)	Closing balance	Opening balance
Ningbo Xiebei Thermal Power Co., Ltd.	26,950,000.00	
Total	26,950,000.00	

(3) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	304,499,062.93
1 to 2 years	2,430,609,953.16
2 to 3 years	819,864,424.69
Over 3 years	3,078,977,982.37
Total	6,633,951,423.15

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	5,629,795,494.06	5,844,500,264.34
VAT refund receivables	231,306,158.89	278,295,748.22
Security deposits and deposits	65,180,915.50	123,011,886.31

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Land transaction fees and interests	81,154,456.49	82,842,573.15
Export tax refunds	233,039,522.95	80,583,037.97
Project purchase funds refundable	104,396,091.89	64,790,077.05
Petty cash	62,999,589.56	5,338,187.60
Loans	132,736,987.56	
Fiscal interest subsidy receivables	26,525,600.00	
Housing-reform house maintenance fund	6,634,508.19	
Others	60,182,098.06	54,761,159.62
Total	6,633,951,423.15	6,534,122,934.26

3) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	6,331,325,062.55	95.44	230,446,783.26	3.64	6,100,878,279.29
Provision for bad debt on a collective basis	302,626,360.60	4.56	27,016,643.50	8.93	275,609,717.10
Including: Provision for bad debt is made based on aging	302,626,360.60	4.56	27,016,643.50	8.93	275,609,717.10
Total	6,633,951,423.15	100.00	257,463,426.76	3.88	6,376,487,996.39

4) Movements in the provision for bad debt of other receivables

Category	1 January 2020	Changes during the reporting period			31 December 2020
		Provision	Increase of change in consolidation scope	Written off	
Provision for bad debt	247,138,308.07	11,071,770.51	746,651.82		257,463,426.76
Total	247,138,308.07	11,071,770.51	746,651.82		257,463,426.76

5) There were no other receivables actually written off in 2020.

6) Top five other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Company 9	Current accounts	2,700,027,465.00	Over 5 years	40.70	
Company 10	Current accounts	1,500,000,000.00	1 to 2 years	22.61	
Company 11	Current accounts	650,628,183.47	2 to 3 years	9.81	
Company 12	VAT refund receivables	200,598,821.50	Within 1 year	3.02	
Company 13	Export tax refunds	133,095,737.09	Within 1 year	2.01	
Total		5,184,350,207.06		78.15	

7) Other receivables related to government grants

Name of entity	Name of government grants	Closing balance	Aging	Estimated time to be received
Company 14	Loan interest subsidies for environmental protection differential spandex project in 2020	11,664,800.00	Within 1 year	January 2021
Company 14	Loan interest subsidy for aramid project in 2020	14,860,800.00	Within 1 year	January 2021
Total		26,525,600.00		

8) There were no other receivable derecognised due to the transfer of financial assets.

9) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

10. Inventories

(1) Categories of inventories

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Item	Closing balance			Opening balance		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Raw materials	2,462,336,350.67	34,048,199.00	2,428,288,151.67	2,635,054,880.95	42,495,937.59	2,592,558,943.36
Work-in-progress	2,025,609,232.53	414,148.07	2,025,195,084.46	2,021,781,863.03	223,771.24	2,021,558,091.79
Finished goods	4,936,682,561.62	28,449,322.37	4,908,233,239.25	4,934,175,782.51	34,925,842.84	4,899,249,939.67
Consigned processing material	37,646,045.11		37,646,045.11	6,179,556.48		6,179,556.48
Turnover materials	31,159.81	31,159.81		33,769.28		33,769.28
Engineering Construction	127,713,257.55		127,713,257.55	139,515,098.61		139,515,098.61
Properties under development (Note)	416,078,875.61		416,078,875.61	294,269,609.61		294,269,609.61
Goods in transit	43,375,435.98		43,375,435.98	54,440,846.15		54,440,846.15
Others				21,263,671.61	26,378.40	21,237,293.21
Total	10,049,472,918.88	62,942,829.25	9,986,530,089.63	10,106,715,078.23	77,671,930.07	10,029,043,148.16

Note: Properties under development mainly refer to the property developed in Zhuhai by Zhuhai Wanhua Real Estate Development Co., Ltd., a subsidiary of Wanhua Chemical, the total budget investment is RMB 500,000,000.00, the property has been commenced for construction since July 2017 and expected to be completed at the end of 2021.

(2) Provision for inventory write-down

Item	Opening balance	Increase during the year		Decrease during the period		Foreign currency translation of financial statements	Closing balance
		Provision	Other	Reversal	Written off		
Raw materials	42,495,937.59	5,615,620.88	163,714.28	773,530.39	13,453,543.36		34,048,199.00
Work-in-progress	223,771.24	238,416.89	91,516.34	31,363.90	16,676.16		505,664.41
Finished goods	34,925,842.84	18,399,790.38		219,456.08	24,748,371.11		28,357,806.03

Others	26,378.40	31,159.81		26,378.40		31,159.81
Total	77,671,930.07	24,284,987.96	255,230.62	1,050,728.77	38,218,590.63	62,942,829.25

11. Contract assets

(1) Presentation of contract assets

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Quality guarantee deposits and progress payments	288,260,893.27	21,936,010.02	266,324,883.25
Total	288,260,893.27	21,936,010.02	266,324,883.25

(2) Provision for impairment of contract assets

Item	Provision	Reversal	Written off	Reasons
Quality guarantee deposits and progress payments	6,181,189.61			Quality guarantee deposits and progress payments
Total	6,181,189.61			

12. Non-current assets due within one year

Item	Closing balance	Opening balance
Entrusted loans due within one year	43,000,000.00	
Total	43,000,000.00	

13. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	1,628,014,748.38	956,604,204.82
Prepaid enterprise income tax	6,731,210.07	82,673,140.97
Prepaid other taxes	1,851,856.76	1,125,323.25

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Financial products	82,088,000.00	142,640,000.00
Entrusted loans	49,650,000.00	359,150,000.00
Others	29,524,798.51	38,038,828.55
Total	1,797,860,613.72	1,580,231,497.59

14. Debt investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Central power construction bond	50,000.00		50,000.00	50,000.00		50,000.00
Total	50,000.00		50,000.00	50,000.00		50,000.00

15. Available-for-sale financial assets

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	7,271,856,950.12	41,257,383.77	7,230,599,566.35
At fair value	2,880,704.00		2,880,704.00
At cost	7,268,976,246.12	41,257,383.77	7,227,718,862.35
Total	7,271,856,950.12	41,257,383.77	7,230,599,566.35

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment losses	Book value
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	4,824,305,259.85	20,433,824.16	4,803,871,435.69

At fair value	2,310,496.00		2,310,496.00
At cost	4,821,994,763.85	20,433,824.16	4,801,560,939.69
Total	4,824,305,259.85	20,433,824.16	4,803,871,435.69

16. Long-term receivables

Details of long-term receivables:

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Finance leases	95,057,398.63		95,057,398.63	132,373,398.60		132,373,398.60	
Including: unearned finance income	15,001,025.24		15,001,025.24	13,755,820.97		13,755,820.97	
Installment collection for sale of goods	286,396.19	120,000.00	166,396.19	5,167,343.54	1,816,000.00	3,351,343.54	
Staff housing loans (Note)	696,640,378.46		696,640,378.46	594,513,105.17		594,513,105.17	
Others	352,686,888.71		352,686,888.71	352,177,228.15		352,177,228.15	
Total	1,144,671,061.99	120,000.00	1,144,551,061.99	1,084,231,075.46	1,816,000.00	1,082,415,075.46	

Note: According to “The Measures of Staff Housing Loans of Wanhua Chemical Group Co., Ltd.”, each employee is granted a housing loan of RMB 100,000, RMB 150,000 or RMB 200,000 with a maturity of seven, ten or twelve years respectively if certain conditions are met. Interest is calculated at the bank loan rate of interest over the same period. Wanhua Chemical is responsible for the interests and withholding individual income tax for the staff.

There are no long-term receivable derecognised due to the transfer of financial assets; no transfer of long-term receivable and the amount of assets and liabilities arising from continuing involvement.

17. Long-term equity investments

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Movement of the current year						
Investee	Opening balance	Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement
I. Subsidiaries						
Subtotal						
II. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	306,406,167.92	420,000,000.00		15,640,011.41		
AW Shipping Limited		91,647,680.00		-251.40		
COFCO Barrel Production (Yantai) Co., Ltd.		7,360,000.00		33,817.14		
Ningbo Xiebei Thermal Power Co., Ltd.	224,849,061.61			51,486,503.48		
Hangzhou Zhekai Engineering Technology Co., Ltd.	704,457.47			-107,467.35		
Yantai Hyundai MOON Heavy Industry Co., Ltd.	125,517,023.34			12,520,784.01	-483,445.11	
Yantai Tayho Engineering Materials Co., Ltd.	5,587,740.17			343,937.23		
Subtotal	663,064,450.51	519,007,680.00		79,917,334.52	-483,445.11	
III. Associates						
Linde Gas (Yantai) Co., Ltd.	92,382,105.00	7,543,148.96		2,897,438.10		-46,640.50
Yantai Bulk Commodity Exchange Center	9,271,651.49			-141,490.57		
Yantai Wanhua Chlor-Alkali Co., Ltd.	82,305,281.83			62,248,691.33		
IBI Chematur (Engineering & Consultancy) Ltd.	1,668,353.75			-489,212.43		
Wanhua Ecoboard Co., Ltd.				1,531,095.56		-1,531,095.56
Wanhua New Materials	27,270,907.71	8,500,000.00		2,745,020.58		

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Co., Ltd.						
Gansu Wanhua Green Building Materials Technology Co., Ltd.	394,183.57					
Yantai International Conference & Exhibition Center Co., Ltd.	11,662,135.13			-1,209,628.27		
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.	14,877,156.45			932,641.20		
Yantai Cultural Development Investment Fund Co., Ltd.	18,294,824.82			-69,853.09		
Yantai Polaris Co., Ltd.	2,163,153.51			-910,908.59		-3,434.97
JCC Guoxing (Yantai) Copper Co., Ltd.	169,943,261.93		169,943,261.93			
Yantai Guotai Ruifeng Investment Co., Ltd.	-406,453.16		406,453.16			
Yantai Guoxin Ruifeng Assets Management Co., Ltd.	36,747,705.54	200,000.00		3,166,934.08		
Shandong Yantai Dengying Assets Management Co., Ltd.		102,000,000.00		-1,001,232.66		
Sanya Star Travel Qiming Fund Partnership (Limited Partnership)		1,000,000.00		2,123.30		
Yantai Chenan Safety Technology Co., Ltd.		350,000.00		34.91		
Yantai Jinghai Ocean Fishery Co., Ltd.		67,200,000.00		-1,088,356.91		
Yantai Dongde Industrial Co., Ltd.		2,500,000.00		282,173.93		
Beijing Electrical Controller Intelligent Energy Co., Ltd.		7,000,000.00		-261,600.88		
Wanhua Energy Saving Building Materials Co., Ltd.				68,527,329.56	-98,847.08	9,378,534.98

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Yantai Free Trade Port Zone Huayu Supply Chain Management Co., Ltd.	14,000,000.00			-1,223.31		
Yantai Guosheng Weiyuan Investment Management Co., Ltd.	1,350,000.00			-167,211.90		
Cabero Heat Exchanger Yantai Co., Ltd.	20,984,125.28			11,642,148.51		
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	6,948,572.26			468,821.47		
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	135,415,814.48			3,731,723.81	94,088.82	
Linyi Smart New Energy Technology Co., Ltd.	491,067.07			-751,606.23	2,275,668.87	
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	858,055.20			-676,876.74		
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	175,685.33			212,363.32		
Ningbo Meishan Bonded Port Area Kangshun Equity Investment Partnership (Limited Partnership)	48,904,521.97			-875,960.68		
Subtotal	681,165,015.48	211,643,148.96	170,349,715.09	150,743,377.40	2,270,910.61	7,797,363.95
Total	1,344,229,465.99	730,650,828.96	170,349,715.09	230,660,711.92	1,787,465.50	7,797,363.95

(Continued)

Investee	Movement of the current year			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
I. Subsidiaries					

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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Subtotal				
II. Joint Ventures				
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.			742,046,179.33	
AW Shipping Limited		-2,909,257.09	88,738,171.51	
COFCO Barrel Production (Yantai) Co., Ltd.			7,393,817.14	
Ningbo Xiebei Thermal Power Co., Ltd.	54,450,000.00		221,885,565.09	
Hangzhou Zhekai Engineering Technology Co., Ltd.		-772.88	596,217.24	
Yantai Hyundai MOON Heavy Industry Co., Ltd.	7,070,300.00	-14,799.30	130,469,262.94	
Yantai Tayho Engineering Materials Co., Ltd.		-118,288.64	5,813,388.76	
Subtotal	61,520,300.00	-3,043,117.91	1,196,942,602.01	
III. Associates				
Linde Gas (Yantai) Co., Ltd.			102,776,051.56	
Yantai Bulk Commodity Exchange Center			9,130,160.92	
Yantai Wanhua Chlor-Alkali Co., Ltd.	5,280,000.00		139,273,973.16	
IBI Chematur (Engineering&Consultancy) Ltd.		-39,003.69	1,140,137.63	
Wanhua Ecoboard Co., Ltd.				
Wanhua New Materials Co., Ltd.			38,515,928.29	
Gansu Wanhua Green Building Materials Technology Co., Ltd.		-394,183.57		
Yantai International Conference & Exhibition Center Co., Ltd.			10,452,506.86	
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.			15,809,797.65	
Yantai Cultural Development Investment Fund Co., Ltd.			18,224,971.73	
Yantai Polaris Co., Ltd.			1,248,809.95	
JCC Guoxing (Yantai) Copper Co., Ltd.				
Yantai Guotai Ruifeng Investment				

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Co., Ltd.					
Yantai Guoxin Ruifeng Assets Management Co., Ltd.				40,114,639.62	
Shandong Yantai Dengying Assets Management Co., Ltd.				100,998,767.34	
Sanya Star Travel Qiming Fund Partnership (Limited Partnership)				1,002,123.30	
Yantai Chenan Safety Technology Co., Ltd.				350,034.91	
Yantai Jinghai Ocean Fishery Co., Ltd.				66,111,643.09	
Yantai Dongde Industrial Co., Ltd.				2,782,173.93	
Beijing Electrical Controller Intelligent Energy Co., Ltd.				6,738,399.12	
Wanhua Energy Saving Building Materials Co., Ltd.	12,400,000.00		49,966,000.00	115,373,017.46	
Yantai Free Trade Port Zone Huayu Supply Chain Management Co., Ltd.				13,998,776.69	
Yantai Guosheng Weiyuan Investment Management Co., Ltd.				1,182,788.10	
Cabero Heat Exchanger Yantai Co., Ltd.				32,626,273.79	
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.				7,417,393.73	
Qingdao Daneng Environmental Protection Equipment Co., Ltd.				139,241,627.11	
Linyi Smart New Energy Technology Co., Ltd.				2,015,129.71	
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.				181,178.46	
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.				388,048.65	
Ningbo Meishan Bonded Port Area Kangshun Equity Investment Partnership (Limited Partnership)			595,478.03	48,624,039.32	
Subtotal	17,680,000.00		50,128,290.77	915,718,392.08	
Total	79,200,300.00		47,085,172.86	2,112,660,994.09	

18. Investments in other equity instruments

Item	Closing balance	Opening balance
Non-tradable investments in equity instruments	1,283,392,485.36	340,045,046.69
Total	1,283,392,485.36	340,045,046.69

19. Other non-current financial assets

Item	Closing balance	Opening balance
Available-for-sale equity instruments		484,642,567.63
Total		484,642,567.63

20. Investment properties

(1) Subsequent measurement under the cost model:

Item	Buildings	Land use rights	Total
I. Book balance			
1. Opening balance	155,144,627.28	423,690,069.25	578,834,696.53
2. Increase in the current period			
(1) Purchase			
3. Decrease in the current period	84,741,261.96		84,741,261.96
(1) Disposals	84,741,261.96		84,741,261.96
4. Closing balance	70,403,365.32	423,690,069.25	494,093,434.57
II. Accumulated depreciation and amortisation			
1. Opening balance	55,695,804.73	91,049,471.69	146,745,276.42
2. Increase in the current period	5,904,430.74	6,711,780.17	12,616,210.91
(1) Provisions	5,904,430.74	6,711,780.17	12,616,210.91
(2) Others			
3. Decrease in the current period	29,473,137.80		29,473,137.80
(1) Disposals	29,473,137.80		29,473,137.80
4. Closing balance	32,127,097.67	97,761,251.86	129,888,349.53

III. Provision for impairment			
1. Opening balance		158,201,155.96	158,201,155.96
2. Increase in the current period			
(1) Provisions			
3. Decrease in the current period			
(1) Disposals			
4. Closing balance		158,201,155.96	158,201,155.96
IV. Book value			
1. Closing book value	38,276,267.65	167,727,661.43	206,003,929.08
2. Opening book value	99,448,822.55	174,439,441.60	273,888,264.15

(2) There is no subsequent measurement under the fair value model.

(3) Investment properties of which certificates of the title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Buildings	13,267,946.54	Completion acceptance is being processed
Land use rights	2,061,639.70	Completion acceptance is being processed
Total	15,329,586.24	

21. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	60,403,009,699.97	41,518,513,215.24
Fixed assets pending for disposal	28,379,546.59	26,366,701.11
Total	60,431,389,246.56	41,544,879,916.35

(1) Details of fixed assets:

Item	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Lands (Note)	Office equipment	Total
1. Book balance							

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1. Opening balance	14,187,486,279.12	56,496,480,980.69	289,169,389.33	726,580,093.20	472,883,628.68	3,631,029.40	72,176,231,400.42
2. Increase in the current period	2,943,668,215.81	22,385,483,668.24	59,335,472.46	107,463,326.04	4,373,467.83	407,634.55	25,500,731,784.93
(1) Additions	320,841,177.62	1,922,128,009.05	51,617,798.58	82,243,365.16		380,156.55	2,377,210,506.96
(2) Transfers from construction in progress	2,321,032,862.37	19,881,756,454.61	1,894,801.07	16,793,278.48			22,221,477,396.53
(3) Changes in the scope of consolidation	112,304,446.25	304,772,385.82	4,145,724.28	2,327,511.95			423,550,068.30
(4) Others	189,489,729.57	276,826,818.76	1,677,148.53	6,099,170.45	4,373,467.83	27,478.00	478,493,813.14
3. Decrease in the current period	204,506,610.68	710,512,313.13	19,617,035.73	31,563,707.30	65,749,524.35	934,932.65	1,032,884,123.84
(1) Disposals or retirement	165,421,813.97	535,229,617.90	19,308,499.77	31,421,782.96	65,749,524.35	934,932.65	818,066,171.60
(2) Disposal of subsidiaries							
(3) Other decreases	39,084,796.71	175,282,695.23	308,535.96	141,924.34			214,817,952.24
4. Exchange differences arising on translation of financial statements	-11,708,733.17	-5,623,867.74	-363,554.09	-663,093.86			-18,359,248.86
5. Closing balance	16,914,939,151.08	78,165,828,468.06	328,524,271.97	801,816,618.08	411,507,572.16	3,103,731.30	96,625,719,812.65
II. Accumulated depreciation							
1. Opening balance	4,361,881,041.15	25,481,055,734.85	167,507,597.67	445,821,015.68		3,068,537.76	30,459,333,927.11
2. Increase in the current period	726,926,192.47	4,968,453,290.95	36,849,699.86	78,498,493.64		426,917.31	5,811,154,594.23
(1) Depreciation accrued during the period	648,908,190.04	4,664,973,275.51	35,596,062.96	74,245,634.27		426,917.31	5,424,150,080.09
(2) Changes in the scope of consolidation	11,399,559.90	94,880,056.71	4,714.72	66,680.76			106,351,012.09
(3) Others	66,618,442.53	208,599,958.73	1,248,922.18	4,186,178.61			280,653,502.05

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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3. Decrease in the current period	47,314,423.97	415,404,335.91	11,376,927.85	23,344,018.61		906,403.97	498,346,110.31
(1) Disposals or retirement	31,407,828.09	315,286,224.86	11,264,592.17	23,291,398.37		906,403.97	382,156,447.46
(2) Disposal of subsidiaries							
(3) Others	15,906,595.88	100,118,111.05	112,335.68	52,620.24			116,189,662.85
4. Exchange differences arising on translation of financial statements	-1,254,318.20	-798,622.78	-230,068.65	-1,137,132.28			-3,420,141.91
5. Closing balance	5,040,238,491.45	30,033,306,067.11	192,750,301.03	499,838,358.43		2,589,051.10	35,768,722,269.12
III. Provision for impairment losses							
1. Opening balance	33,829,895.44	164,481,175.61	58,714.84	438.10		14,034.08	198,384,258.07
2. Increase in the current period	256,407,334.18	3,937,827.03					260,345,161.21
(1) Impairment accrued during the period	256,337,780.18	3,903,337.18					260,241,117.36
(2) Others	69,554.00	34,489.85					104,043.85
3. Decrease in the current period		4,728,815.02				12,760.70	4,741,575.72
(1) Disposals or retirement		4,728,815.02				12,760.70	4,741,575.72
4. Exchange differences arising on translation of financial statements							
5. Closing balance	290,237,229.62	163,690,187.62	58,714.84	438.10		1,273.38	453,987,843.56
IV. Book value							
1. Closing book value	11,584,463,430.01	47,968,832,213.33	135,715,256.10	301,977,821.55	411,507,572.16	513,406.82	60,403,009,699.97

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

2 Opening book value	9,791,775,342.53	30,850,944,070.23	121,603,976.82	280,758,639.42	472,883,628.68	548,457.56	41,518,513,215.24
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1) *Note:* The freehold lands of DBH UK, an overseas subsidiary of Moon Environment and the freehold lands in the USA, Hungary and Czech Republic owned by an overseas subsidiary of Wanhua Chemical, are stated as fixed assets.

2) Description of fixed assets:

As at 31 December 2020, Moon Environment's overseas subsidiary has pledged machinery and equipment at a book value amounting to RMB 4,758,962.98 and land use rights at a book value amounting to RMB 22,926,423.44 for bank borrowings.

As at 31 December 2020, bank borrowings are secured by Oriental Aerospace Port (Haiyang) Industrial Park Operation Management Co., Ltd. (hereinafter referred to as "Operation Management Company") on buildings for book value of RMB 51,985,664.90.

As at 31 December 2020, land use rights with book value of RMB 148,741.85, buildings with book value of RMB 276,532,001.85, machinery and equipment with book value of RMB 368,118,089.81, electronic equipment, appliances and furniture with book value of RMB 701,024.84 were pledged by Wanhua Chemical to acquire bank loans.

In March 2021, Tayho Advanced Materials and the Natural Resources and Planning Bureau of Yantai Economic and Technological Development Zone signed the supplementary agreement on transfer contract of state-owned land use right. The Natural Resources and Planning Bureau of Yantai Economic and Technological Development Zone planned to purchase the land in Yantai Economic and Technological Development Zone with the number of Yan Guo Yong (2011) No.50148, as well as the buildings, structures, constructions and equipment assets on land. The idle fixed assets of Tayho Advanced Materials at the end of the year are mainly the above assets.

(2) Temporary idle fixed assets:

Item	Book balance	Accumulated depreciation	Impairment provision	Book value	Remark
Machinery and equipment	503,071,010.85	454,897,143.83	410,144.35	47,763,722.67	Plant relocation, process adjustment
Total	503,071,010.85	454,897,143.83	410,144.35	47,763,722.67	

(3) Fixed assets held under finance leases in the period:

As at 31 December 2020, Moon Environment as a lessee, the machinery and equipment with a book balance of RMB 25,040,840.96, an accumulated depreciation of RMB 7,362,081.15 and a book value of RMB 17,678,759.81 are acquired under finance leases.

As at 31 December 2020, Wanhua Chemical as a lessee, the machinery and equipment with a book balance of RMB 2,195,752,350.00, an accumulated depreciation of RMB 1,737,839,021.60 and a book value of RMB 457,913,328.40 are acquired under finance leases.

(4) Fixed assets leased out to lessee under operating leases in the period:

Item	Book value
Buildings	6,076,173.48
Total	6,076,173.48

(5) Fixed assets of which certificates of title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Buildings	2,980,982,710.68	In process
Total	2,980,982,710.68	

(6) Details of Fixed assets pending for disposal:

Item	Closing book value	Opening book value
Buildings	30,397,033.74	26,342,777.43
Machinery and equipment	-2,017,699.10	23,923.68
Electronic equipment	211.95	
Total	28,379,546.59	26,366,701.11

22. Construction in progress

(1) Details of construction in progress are as follows:

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Polyurethane industrial chain extension and supporting project	11,060,547,460.25		11,060,547,460.25	10,190,055,801.64		10,190,055,801.64
Large scale coal gasification project	1,865,788,892.93		1,865,788,892.93			
Ethylene project	1,760,651,546.87		1,760,651,546.87	7,065,507,331.19		7,065,507,331.19
High performance materials project of BC Company	617,645,945.56		617,645,945.56	357,989,819.15		357,989,819.15
Wanhua Shanghai Center Project	549,670,460.09		549,670,460.09	496,961,278.25		496,961,278.25
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	473,175,403.21		473,175,403.21	107,075,041.47		107,075,041.47
Yantai Thermal Power Phase-II Project	472,058,422.30		472,058,422.30	219,614,809.57		219,614,809.57

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Investment Project of Plant Infrastructure of BC Company	359,430,746.11		359,430,746.11	178,396,839.34		178,396,839.34
Guangdong Water-base Resin Phase-II Project	358,065,493.74		358,065,493.74	190,971,680.49		190,971,680.49
Technological transformation of Wanhua Ningbo	335,754,164.63		335,754,164.63	348,095,658.44		348,095,658.44
MDI Technical Improvement Project of BC Company	191,178,001.45		191,178,001.45	108,160,534.89		108,160,534.89
Railway special line project of Shanxi Zhongqiang	116,992,146.59		116,992,146.59	39,835,773.72		39,835,773.72
U.S. integrated project	894,132,690.58	788,095,085.17	106,037,605.41	835,140,339.74	310,440,138.43	524,700,201.31
High performance para aramid fiber project	94,069,946.56		94,069,946.56	246,094,147.86		246,094,147.86
Binhai Road	82,996,670.69		82,996,670.69			
Oriental Aerospace Port major engineering construction project - Phase I	79,600,854.85		79,600,854.85			
Emergency water plant and supporting pipeline engineering	64,565,702.11		64,565,702.11			
Intelligent compressor factory project	58,348,347.28		58,348,347.28	42,218,668.58		42,218,668.58
Wanhua Yantai Industrial Park Project	56,818,805.12		56,818,805.12	739,041,512.46		739,041,512.46
Chunshan coal mine project of Shanxi Zhongqiang	53,789,920.12		53,789,920.12	44,395,728.22		44,395,728.22
Yulong Avenue	41,453,301.76		41,453,301.76			

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Green intelligent casting project	40,972,911.65		40,972,911.65	65,121,090.70		65,121,090.70
Gansu Aike silver project	16,356,301.34		16,356,301.34	16,356,301.34		16,356,301.34
Industrialisation of 3,000 tons of high performance aramid paper based materials	16,003,415.58		16,003,415.58			
Nuosi Boer of Jingbian, Shaanxi	12,533,490.51		12,533,490.51	10,741,037.68		10,741,037.68
Intelligent manufacturing project of green differential spandex	12,292,626.44		12,292,626.44	1,681,460.21		1,681,460.21
3# Road	11,603,697.32		11,603,697.32			
DUNHAMBUSHI USA LLC infrastructure projects	11,137,455.59		11,137,455.59	106,596,594.12		106,596,594.12
2# Road	9,749,419.08		9,749,419.08			
Deep processing project of aramid fiber	8,578,567.61		8,578,567.61			
Three mining area track lane	6,500,572.69		6,500,572.69			
Transformation of Hesheng in Shaanxi	4,510,921.18		4,510,921.18			
Hot water power generation project	3,241,710.83		3,241,710.83	8,665,783.99		8,665,783.99
Comprehensive land development (985.443 hectares)	2,844,612.41		2,844,612.41			
Preliminary planning and design fee	2,518,867.92		2,518,867.92			
Replacement Project of Waste Heat Heating Boiler in Yangcun Mine of Yanzhou Coal Industry	1,415,929.20		1,415,929.20			

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Waste gas treatment project	1,273,682.10		1,273,682.10		
Compression and condensing unit performance testing center	1,104,424.78		1,104,424.78		
Quality stability improvement project	1,026,066.77		1,026,066.77		
Taoziwan Recycled Water Project			38,976,765.93		38,976,765.93
Research & Development and production projects of silane products			34,360,734.47		34,360,734.47
Miyun District high-tech industrial base project			27,051,595.14	10,176,476.51	16,875,118.63
Belt lane of southern wing zone two			17,857,830.68	17,857,830.68	
Track lane of Southern wing zone two			17,551,005.04	17,551,005.04	
Test Stand Upgrade			10,457,441.57		10,457,441.57
Return air lane of Southern wing zone two			6,769,080.65	6,769,080.65	
Activated carbon project			6,232,670.78		6,232,670.78
Test Rig			5,151,868.08		5,151,868.08
New thermal insulation filling and supporting materials project			3,778,888.61		3,778,888.61
Automatic pipeline prefabrication line equipment module cutting chamfering machine			1,374,977.34		1,374,977.34

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Ningxia Tayho spandex differential colored spandex transformation project				1,316,339.37		1,316,339.37
Others	5,618,285,439.00	16,358,592.05	5,601,926,846.95	3,711,861,382.73	15,849,834.00	3,696,011,548.73
Total	25,368,685,034.80	804,453,677.22	24,564,231,357.58	25,301,457,813.44	378,644,365.31	24,922,813,448.13

(2) The movements of significant projects of construction in progress are as follows:

The Company decides that construction in progress of more than RMB 150,000,000.00 is considered as significant construction in progress as follows:

Name of Items	Budget amount	Opening balance	Increase in the current period	Increase due to changes in the scope of consolidation	Transfer to fixed assets	Transfer to intangible assets	Provision for impairment losses
Polyurethane industrial chain extension and supporting project	29,664,000,000.00	10,190,055,801.64	7,074,125,823.21		6,203,634,164.60		
Ethylene project	16,800,000,000.00	7,065,307,331.19	6,407,440,854.08		11,712,296,638.40		
Wanhua Yantai Industrial Park Project	24,525,360,000.00	739,041,512.46	48,137,927.28		728,917,238.39	1,443,396.23	
Wanhua Shanghai Center Project	610,000,000.00	496,961,278.25	52,709,181.84				
Guangdong Water-base Resin Phase-II Project	400,000,000.00	190,971,680.49	167,093,813.25				
U.S. integrated project	8,579,000,000.00	524,700,201.31	58,992,350.84				481,556,770.32
High performance materials project of BC	506,741,553.13	357,989,819.15	250,089,914.15		29,976.34		

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Company							
Investment							
Project of Plant							
Infrastructure	395,632,098.63	178,396,839.34	176,251,855.36				
of BC							
Company							
MDI Technical							
Improvement	390,775,000.00	108,160,534.89	191,146,522.75		111,028,342.95		
Project of BC							
Company							
Yantai							
Thermal Power	1,411,170,000.00	219,614,809.57	986,756,154.13		734,312,541.40		
Phase-II							
Project							
Technological							
transformation							
of Wanhua							
Ningbo and	2,175,448,000.00	404,323,155.06	503,872,169.75		572,441,160.18		
integration of							
capacity							
expansion							
Institute of							
high	422,880,000.00	101,489,704.16	128,386,168.45		45,096,581.77		
performance							
materials							
New							
Isoocyanate	6,600,000,000.00	133,014,000.03	250,589,887.58				
project							
High							
Performance	1,360,000,000.00	34,354,582.23	258,285,533.47				
Modified							
Resin Project							
Aniline Project							
of BC	413,972,000.00	69,570,243.70	214,095,815.88				
Company							
220kV Power							
Transmission	469,000,000.00	455,769.83	293,624,663.92				
and							
Transformation							
Project							
Large scale							
coal	2,798,000,000.00		599,527,829.95	1,266,261,062.98			

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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gasification project							
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	710,000,000.00	107,075,041.47	366,100,361.74				
Total	98,231,998,651.78	20,921,682,304.77	18,027,226,827.58	1,266,261,062.98	20,107,756,643.13	1,443,396.23	481,556,770.32

(Continued)

Name of Items	Exchange differences arising on translation of financial statements	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised financial expenses	Including: capitalised financial expenses for the year	Interest capitalisation rate for the year (%)	Source of funds
Polyurethane industrial chain extension and supporting project		11,060,547,460.25	77.79	77.79	408,279,361.95	109,815,278.29	3.04	Cash from operation and loans and raised funds
Ethylene project		1,760,651,546.87	80.36	80.36	310,884,031.82	246,457,263.33	3.42	Cash from operation and loans
Wanhua Yantai Industrial Park Project		56,818,805.12	99.89	99.89	1,110,893,733.51	5,068,735.87	3.23	Cash from operation and loans
Wanhua Shanghai Center Project		549,670,460.09	90.11	90.11				Cash from operation and raised funds
Guangdong Water-base Resin Phase-II Project		358,063,493.74	89.52	89.52				Cash from operation
U.S. integrated project	3,901,823.58	106,037,605.41	10.42	10.42	25,947,709.11	18,758,371.54	2.30	Cash from operation and loans
High performance materials project of BC	9,596,188.60	617,645,945.56	98.25	98.25	4,149,567.95	2,368,614.18	0.65	Cash from operation

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Company								loans
Investment Project of Plant Infrastructure of BC Company	4,782,051.41	359,450,746.11	78.38	78.38	1,966,424.92	1,195,457.17	0.65	Cash from operation and loans
MDI Technical Improvement Project of BC Company	2,899,285.86	191,178,001.45	42.60	42.60	5,433,725.18	155,299.23	0.65	Cash from operation and loans
Yantai Thermal Power Phase-II Project		472,058,422.30	85.49	85.49	34,339,913.85	20,803,841.23	2.95	Cash from operation and loans
Technological transformation of Wanhua Ningbo and integration of capacity expansion		335,754,164.63	42.57	42.57				Cash from operation
Institute of high performance materials		184,779,290.84	53.98	53.98				
New Isocyanate project		383,603,887.61	14.05	14.05	6,040,243.62	6,040,243.62	3.30	Cash from operation and loans
High Performance Modified Resin Project		292,640,115.65	21.52	21.52				
Aniline Project of BC Company	1,864,855.55	285,530,915.13	68.97	68.97	1,985,096.90	1,098,376.07	0.65	Cash from operation and loans
220kV Power Transmission and Transformation Project		294,080,433.75	62.70	62.70	2,638,600.00	2,638,600.00	3.34	Cash from operation and loans
Large scale coal gasification project		1,365,788,892.93	66.68	66.68	72,624,699.80	13,070,472.47	1.73	Cash from operation and loans
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project		473,175,403.21	66.64	66.64	202,075.14	202,075.14	3.92	Cash from operation and loans
Total	23,044,205.00	19,647,457,590.65	1,149.92	1,149.92	1,985,385,183.75	427,672,828.14	32.83	

(3) Provision for impairment losses for construction in progress:

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Item	Amount accrued for current period	Reasons
U.S. integrated project	481,556,770.32	During the year, the Group re-evaluated the U.S. integrated project. As the originally selected site was no longer available for investment, the construction in progress was tested again for impairment and a full provision for impairment was made for the accumulated expenditure on the project, except for the design expenditure on the process plant and auxiliary facilities that could be used for the future plant at the new site.
Others	87,462.60	Damaged
Total	481,644,232.92	

23. Intangible assets

(1) Details of intangible assets:

Item	Land use rights	Mining rights	Mineral exploration rights	Computer software	Patents	Non-patented technology
I. Book balance						
1. Opening balance	3,815,207,182.67	2,359,041,917.24	18,560,400.00	316,106,386.99	191,490,088.86	2,482,652,799.83
2. Increase in the current period	1,425,014,039.32			65,984,342.57	276,749.50	489,400,819.47
(1) Purchase	1,236,829,137.15			31,979,674.81		451,997,655.60
(2) Acquired in a business combination	171,099,431.20			18,709,685.00		
(3) Transfer from construction in progress				14,028,707.22		
(4) Others	17,085,470.97			1,266,275.54	276,749.50	37,403,163.87
3. Decrease in the current period	194,734,916.71			1,711,891.41	2,000,000.00	
(1) Disposals	190,121,371.61			1,711,891.41		
(2) Others	4,613,545.10				2,000,000.00	
4. Exchange differences arising on translation of financial statements						
5. Closing balance	5,045,486,305.28	2,359,041,917.24	18,560,400.00	380,378,838.15	189,766,838.36	2,972,053,619.30
II. Accumulated amortisation						
1. Opening balance	433,262,904.78	137,261,278.73		176,474,963.77	166,635,509.35	740,000,426.12
2. Increase in the current period	94,223,229.89	25,852,097.04		40,015,386.73	2,343,740.53	241,820,248.19

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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(1) Provisions	92,908,841.77	25,852,097.04		37,550,837.22	2,262,402.89	214,247,198.36
(2) Acquired in a business combination	838,067.37			1,154,785.00		
(3) Others	476,320.75			1,309,764.51	81,337.64	27,573,049.83
3. Decrease in the current period	25,024,334.71			781,508.02	1,083,355.00	
(1) Disposals	25,024,334.71			781,508.02	1,083,355.00	
(2) Others						
4. Exchange differences arising on translation of financial statements				75,514.66		
5. Closing balance	502,461,799.96	163,113,375.77		215,784,357.14	167,895,894.86	981,820,674.31
III. Provision for impairment losses						
1. Opening balance						
2. Increase in the current period						
(1) Provisions						
3. Decrease in the current period						
(1) Disposals						
(2) Disposals of subsidiaries						
(3) Others						
4. Closing balance						
IV. Book value						
1. Closing book value	4,543,024,505.32	2,195,928,541.47	18,560,400.00	164,594,481.01	21,870,943.50	1,990,232,944.99
2. Opening book value	3,381,944,277.89	2,221,780,638.51	18,560,400.00	139,631,423.22	24,854,579.53	1,742,652,373.71

(Continued)

Item	Carbon emission quota	Coking Capacity Indicators	Technical know-how	Asset equity for Polyether	Franchise	Others	Total
I. Book balance							
1. Opening balance	195,496,917.00		38,009,900.00	1,300,000.00	482,848,246.80	22,802,800.00	9,923,516,639.39
2. Increase in the current period					62,736,613.11	75,000,000.00	2,118,412,563.97
(1) Purchase						75,000,000.00	1,795,806,467.56
(2) Acquired in a business combination							189,809,116.20
(3) Transfer from construction in progress					62,736,613.11		76,765,320.33

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(4) Others							56,031,659.88
3. Decrease in the current period	195,496,917.00		38,009,900.00	1,300,000.00			433,253,625.12
(1) Disposals			38,009,900.00	1,300,000.00			231,143,163.02
(2) Others	195,496,917.00						202,110,462.10
4. Exchange differences arising on translation of financial statements		378,548.31					378,548.31
5. Closing balance		378,548.31			545,584,859.91	97,802,800.00	11,609,054,126.55
II. Accumulated amortisation							
1. Opening balance	96,896,569.00		9,015,377.60	1,256,667.09	21,054,675.44	1,970,555.54	1,783,828,927.40
2. Increase in the current period					20,318,354.52	569,939.43	425,142,996.33
(1) Provisions					20,318,354.52	569,939.43	393,709,671.23
(2) Acquired in a business combination							1,992,852.37
(3) Others							29,440,472.73
3. Decrease in the current period	96,896,569.00		9,015,377.60	1,256,667.09			134,057,811.42
(1) Disposals			9,015,377.60	1,256,667.09			37,161,242.42
(2) Others	96,896,569.00						96,896,569.00
4. Exchange differences arising on translation of financial statements							75,514.66
5. Closing balance					41,373,029.96	2,540,494.97	2,074,989,626.97
III. Provision for impairment losses							
1. Opening balance							
2. Increase in the current period							
(1) Provisions							
3. Decrease in the current period							
(1) Disposals							
(2) Disposals of subsidiaries							
(3) Others							
4. Closing balance							
IV. Book value							
1. Closing book value		378,548.31			504,211,829.95	95,262,305.03	9,534,064,499.58

2 Opening book value:	98,600,348.00	28,994,522.40	43,332.91	461,793,571.36	20,832,244.46	8,139,687,711.99
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Description of intangible assets:

As at 31 December 2020, Wanhua Chemical has pledged intangible asset with a book value amounting to RMB 512,641.65 for bank borrowings.

As at 31 December 2020, the book value of RMB 16,493,767.42 of land use right has been pledged by Operation Management Company for acquiring bank borrowings.

(2) Land use rights of which certificates of the title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Land use rights	148,974,884.62	In process
Total	148,974,884.62	

24. Goodwill

(1) The Original value of the goodwill:

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Impairment provision	
BorsodChem Zrt.	1,068,403,262.89	28,639,304.40		1,097,042,567.29
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	277,518,585.35			277,518,585.35
Beijing Juliwei Technology Co., Ltd.	11,831,625.29			11,831,625.29
Yantai Moon Engineering Technology Co., Ltd.	153,297.36			153,297.36
Beijing Huayuan taimeng Energy-saving Equipment Co., Ltd.	73,778,808.46			73,778,808.46
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	16,282,252.31			16,282,252.31
Dunham-Bush Holding Bhd	726,339,884.39			726,339,884.39

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Impairment provision	
Total	2,174,307,716.05	28,639,304.40		2,202,947,020.45

(2) Provision for impairment of the goodwill:

Name of the investee	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Exchange differences arising on translation of financial statements	Reversal or written off	Others	
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	6,743,576.74					6,743,576.74
Total	6,743,576.74					6,743,576.74

25. Long-term prepaid expenses

Item	Opening balance	Increase in the current period	Amortisation in the current period	Other decreases	Closing balance
Land lease payments	43,337,424.27		902,863.01		42,434,561.26
Improvement expenditure of fixed assets	8,306,655.60	13,680,534.46	5,102,171.55	182,069.83	16,702,948.68
Expenditure of decorating project	5,300,120.10	672,347.92	1,090,922.87		4,881,545.15
Expenditure of weak electric engineering	100,247.99		10,281.84		89,966.15
Decoration Expenditure of exhibition hall	2,400,766.89		488,291.52		1,912,475.37
Expenditure of central air conditioning	2,330,286.33		582,571.58		1,747,714.75
Expenditure of rental vehicles	2,586.17	31,858.40	31,789.63		2,654.94

Arrangement and decoration expenditure of Oriental Aerospace Port exhibition hall	1,746,870.27				1,746,870.27
Others	1,046,585.07	3,238,183.55	875,439.98		3,409,328.64
Total	62,824,672.42	19,369,794.60	9,084,331.98	182,069.83	72,928,065.21

26. Deferred tax assets / Deferred tax liabilities

(1) Deferred tax assets without offset:

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	1,467,718,910.33	285,603,274.71	1,030,118,243.99	185,953,023.07
Deductible tax losses	695,170,009.29	152,098,369.45	413,682,301.66	80,110,654.65
Employee benefits payable	630,110,946.54	103,848,046.17	699,212,497.78	114,650,505.21
Unpaid expenses	2,516,447,359.83	374,767,980.71	2,377,722,525.59	351,718,089.70
Accrued expenses	100,330,623.53	17,739,747.98	68,765,016.05	12,492,752.25
Unrealised profit from intra-group transactions	2,375,934,157.09	388,068,912.73	1,629,311,120.93	256,816,028.12
Deferred income	990,415,719.51	150,050,830.90	910,886,469.10	137,736,182.25
Differences in depreciation of fixed assets	277,458,104.60	42,107,378.85	8,096,550.53	1,373,736.03
Changes in fair value of financial instruments	1,379,658.00	124,146.75	39,247,359.57	3,534,477.21
Finance leases	88,032,564.75	7,922,922.00	112,863,939.90	10,198,476.39
Provision for expected credit loss	467,033,460.51	75,156,690.18	247,671,574.23	49,863,046.94
Provisions	39,993,038.12	6,966,427.20	87,090,059.73	9,707,986.37

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Income from engineering coal	5,311,411.60	1,327,852.90		
Tax credits for environmental protection equipment	67,110,451.96	6,711,045.20		
Total	9,722,446,415.66	1,612,493,625.73	7,624,667,659.06	1,214,154,958.19

(2) Deferred tax liabilities without offset:

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences in depreciation of fixed assets	5,842,387,142.38	865,226,152.38	3,521,377,234.24	565,058,252.46
Increase from revaluation of assets acquired through business combination not involving entities under common control	1,265,781,375.97	269,500,121.06	1,308,884,304.71	279,862,430.93
Changes in fair value of financial instruments	869,537,001.01	130,500,876.18	683,148,377.53	101,766,848.77
Changes in fair value of available-for-sale financial assets recognised in other comprehensive income	267,305,501.01	36,828,890.08		
Total	8,245,011,020.37	1,302,056,039.70	5,513,409,916.48	946,687,532.16

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offsetting:

Item	The offset amount	Deferred tax assets	The offset amount	Deferred tax assets and
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	of deferred tax assets and liabilities at the end of the year	and liabilities after offset at the end of the year	of deferred tax assets and liabilities at the beginning of the year	liabilities after offset at the beginning of the year
1. Deferred tax assets	633,030,324.13	979,463,301.60	448,100,600.47	766,054,357.72
2. Deferred tax liabilities	633,030,324.13	669,025,715.57	448,100,600.47	498,586,931.69

27. Other non-current assets

Item	Closing balance	Opening balance
Prepayment for construction	4,451,576,049.54	2,744,256,481.38
Prepayment for land compensation	210,712,422.41	325,923,535.83
Prepayment for equipment	34,616,840.37	91,627,436.92
Circulation right of equity separation	20,397,064.21	20,397,064.21
Equity assessment appreciation	23,110,289.02	23,110,289.02
Entrusted Loans	215,000,000.00	
Land transaction fees	4,453,653.20	4,453,653.20
Prepayment for equity	120,000,000.00	
Prepayment for compensation of production capacity integration in local refining industry	6,366,580,000.00	
Others	2,670,293.82	362,525.74
Total	11,449,116,612.57	3,210,130,986.30

28. Short-term borrowings

(1) Categories of short-term borrowings:

Item	Closing balance	Opening balance
Pledged loans (Note 1)	130,000,000.00	60,944,415.27
Guaranteed loans	64,713,672.63	
Pledged and guaranteed loans (Note 2)	32,000,000.00	
Mortgage and guaranteed loans (Note 3)	51,460,000.00	
Credit loans	41,723,541,587.88	23,369,461,787.32

Total	42,001,715,260.51	23,430,406,202.59
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Note 1: As at 31 December 2020, the pledged loan of Moon Environment with the book value of RMB 130,000,000.00 was obtained by discounting notes receivable with recourse to bank. It was reclassified to short-term loan at the end of the period.

Note 2: As at 31 December 2020, the pledged loans of Yantai Guoyu Finance Leasing Co., Ltd. with the book value of RMB 32,000,000.00 were obtained by pledging accounts receivable as a collateral to the bank. The pledge loans are also guaranteed by deposits with the book value of RMB 16,000,000.00.

Note 3: Operation Management Company had RMB 51,460,000.00 working capital loans from Shandong Haiyang Rural Commercial Bank Co., Ltd. The contract number is (Hai Nongshang Company) Liu Jie Zi (2020) No.070203, and (Hai Nongshang Company) Liu Jie Zi (2020) No.070204. The term of the loans is one year from 2 July 2020 to 28 June 2021. The loans are mortgaged and guaranteed loans, which are guaranteed by Liu Wei and Liu Changzeng. The guarantee contract number is (Hai Nongshang company) Liu Bao Zi (2020) No.070203 and (Hai Nongshang Company) Liu Bao Zi (2020) No.070204. The mortgaged property is real estate, and the mortgage contract number is (Hai Nongshang) Gao Di Zi (2017) No.170050, (Hai Nongshang) Gao Di Zi (2017) No.170056.

As at 31 December 2020, Operation Management Company has secured its buildings with book value of RMB 51,985,664.90 to banks as security for borrowings that are presented in detail in Note V. 21.

As at 31 December 2020, Operation Management Company has secured its land use rights with book value of RMB 16,493,767.42 to banks as security for borrowings that are presented in detail in Note V. 23.

(2) As at 31 December 2020, there are no short-term borrowings overdue but not yet

repaid.

29. Derivative financial liabilities

Item	Closing balance	Opening balance
Multi-currency interest rate swap contract	23,946,600.00	
Natural gas swap contract		39,147,839.50
Liquefied petroleum gas (LPG) OTC transaction contract		1,132,648.86
Total	23,946,600.00	40,280,488.36

30. Notes payable

Category	Closing balance	Opening balance
Bank acceptance bills	7,559,596,399.69	9,047,711,703.73
Commercial acceptance bills	1,487,000,000.00	189,879,317.82
Total	9,046,596,399.69	9,237,591,021.55

31. Accounts payable

(1) Details of accounts payable are as follows:

Aging	Closing balance	Opening balance
Within 1 year	10,040,511,779.89	8,834,057,963.91
1 to 2 years	540,400,691.52	447,660,025.05
2 to 3 years	91,430,478.29	98,386,473.38
Over 3 years	166,406,833.24	185,452,534.00
Total	10,838,749,782.94	9,565,556,996.34

(2) Significant accounts payable aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 15	25,948,695.00	Yet to be settled

Company 16	13,836,759.67	Yet to be settled
Company 17	12,949,366.97	Yet to be settled
Company 18	10,935,548.24	Yet to be settled
Company 19	10,690,393.75	Yet to be settled
Company 20	10,662,313.05	Yet to be settled
Company 21	10,023,499.35	Yet to be settled
Total	95,046,576.03	

32. Receipts in advance

(1) Presentation of receipts in advance

Aging	Closing balance	Opening balance
Within 1 year	105,548,991.20	2,896,799,526.73
Over 1 year	16,874.00	135,701,440.17
Total	105,565,865.20	3,032,500,966.90

(2) There are no significant receipts in advance aged more than one year.

33. Contract liabilities

(1) Presentation of contract liabilities

Item	Closing balance
Receipts in advance	3,547,337,812.24
Total	3,547,337,812.24

34. Employee benefits payable

(1) Details of employee benefits payable:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term	1,220,764,097.66	5,035,542,259.95	5,027,656,959.46	1,228,649,398.15

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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employee benefits				
2. Post-employment benefits - defined contribution plans	14,181,643.52	400,638,000.92	396,659,615.21	18,160,029.23
3. Termination benefits	1,648,272.32	4,064,418.16	4,887,429.63	825,260.85
4. Other benefits maturing within one year	332,332.26	108,607.34	106,948.63	333,990.97
Total	1,236,926,345.76	5,440,353,286.37	5,429,310,952.93	1,247,968,679.20

(2) Details of short-term employee benefits:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	1,143,723,265.56	4,268,731,920.00	4,283,598,794.70	1,128,856,390.86
2. Staff welfare	1,091,957.58	194,724,218.32	194,270,781.53	1,545,394.37
3. Social security contributions	4,343,621.88	207,354,398.29	204,513,558.60	7,184,461.57
Including:				
Medical insurance	3,788,220.16	186,318,725.95	183,962,235.20	6,144,710.91
Work injury insurance	84,342.43	18,881,889.55	18,869,996.70	96,235.28
Maternity insurance	87,188.51	1,318,644.74	1,266,026.88	139,806.37
Others	383,870.78	835,138.05	415,299.82	803,709.01
4. Housing funds	977,309.42	293,719,838.98	293,233,183.20	1,463,965.20
5. Labor union and employee education funds	68,153,745.27	63,521,644.50	45,578,071.36	86,097,318.41
6. Short-term compensated absences		996,629.14	471,688.63	524,940.51
7. Short-term profit-sharing plans		5,445,798.28	5,445,798.28	
8. Others	2,474,197.95	1,047,812.44	545,083.16	2,976,927.23

Total	1,220,764,097.66	5,035,542,259.95	5,027,656,959.46	1,228,649,398.15
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(3) Presentation of defined contribution plan:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	12,629,693.49	376,752,887.63	372,107,631.70	17,274,949.42
2. Unemployment insurance	1,275,185.73	18,676,081.29	19,074,212.21	877,054.81
3. Enterprise annuity	276,764.30	5,209,032.00	5,477,771.30	8,025.00
Total	14,181,643.52	400,638,000.92	396,659,615.21	18,160,029.23

35. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	771,603,569.28	250,623,193.69
Value-added tax	383,632,246.07	244,636,680.11
Local business tax	33,357,276.75	
Urban maintenance and construction tax	24,893,121.87	7,461,323.72
Land use tax	23,029,039.02	5,394,291.97
Property tax	15,574,242.94	4,318,731.08
Individual income tax	9,881,572.14	8,529,689.01
Environmental protection tax	9,634,792.73	
Other taxes	6,561,171.51	69,557,958.84
Resources tax	5,333,101.22	10,015,397.50
Education surcharges	1,348,274.50	2,087,433.39
Stamp duty	745,754.81	834,455.14
Water resources tax	623,614.73	506,681.40
Local education surcharges	472,687.15	279,215.28
Local water conservancy construction fund	75,483.87	27,752.76
Vehicle and vessel use tax	41,530.26	
Total	1,286,807,478.85	604,272,803.89

36. Other payables

Item	Closing balance	Opening balance
Interest payable	182,149,823.13	141,373,729.73
Dividend payable	72,311,777.78	48,494,625.00
Other payables	3,963,659,850.75	4,052,831,969.03
Total	4,218,121,451.66	4,242,700,323.76

(1) Interest payable:

Item	Closing balance	Opening balance
Interest on short-term borrowings	71,719,610.31	27,440,622.18
Interest on long-term borrowings with interest paid by installments	19,851,024.76	58,209,298.93
Interest on corporate bonds	77,574,722.25	11,821,944.45
Interest on long-term payables	13,004,465.81	33,117,287.69
Interest on borrowed funds		7,791,256.42
Interest on multi-currency interest rate swap contract		2,000,768.00
Others		992,552.06
Total	182,149,823.13	141,373,729.73

(2) Dividend payable:

Item	Closing balance	Opening balance
Dividends on ordinary shares	60,144,000.00	48,494,625.00
Dividend declared on perpetual bonds classified as equity instrument	12,167,777.78	
Total	72,311,777.78	48,494,625.00

(3) Other payables

1) Other payables listed by nature:

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Item	Closing balance	Opening balance
Current accounts	2,887,704,983.71	2,994,637,601.10
Maintenance fees	290,018,468.49	248,933,582.07
Transportation fees	220,760,077.53	132,396,822.88
Deposits and security deposits	186,063,299.51	229,161,422.05
Payables for projects	37,672,254.26	54,446,628.99
Rental fees	27,483,593.96	
Guarantee funds for rural interests	8,584,488.00	5,187,400.00
Collection and payment for another	2,669,498.48	3,870,485.83
Payable for equity acquisition		121,456,688.43
Carbon emission quota to be used		86,251,858.00
Dealer rebates		3,797,296.63
Labour costs		2,107,254.10
Others	302,703,186.81	170,584,928.95
Total	3,963,659,850.75	4,052,831,969.03

2) Other significant payables aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 22	2,400,027,465.00	The terms of payment have not been met
Company 23	566,316,240.73	Borrowings and loans planned to be paid after the period
Company 24	300,000,000.00	The terms of payment have not been met
Company 25	25,854,700.96	Insufficient funds
Company 26	22,550,000.00	The terms of payment have not been met
Company 27	21,579,433.86	The terms of payment have not been met
Company 28	14,594,801.46	The terms of payment have not been met
Total	3,350,922,642.01	

37. Non-current liabilities due within one year

Item	Closing balance	Opening balance
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Long-term borrowings due within one year	1,349,017,282.63	3,283,305,271.92
Long-term payables due within one year	36,421,689.66	62,066,957.64
Other non-current liabilities due within one year	197,455,125.00	209,557,137.00
Total	1,582,894,097.29	3,554,929,366.56

38. Other current liabilities

Item	Closing balance	Opening balance
Short-term financing bonds	5,011,795,164.13	
Output tax to be transferred	423,837,942.91	
Total	5,435,633,107.04	

39. Long-term borrowings

Item	Closing balance	Opening balance
Pledged loans		207,060,000.00
Mortgage loans	6,128,066.01	1,348,338,892.63
Guaranteed loans	1,433,917,829.00	
Credit loans	21,543,874,634.78	9,817,291,772.82
Mortgage and guaranteed loans	24,010,800.00	
Total	23,007,931,329.79	11,372,690,665.45

Note: Mortgage loans were secured by the mortgage of the Company's intangible assets and fixed assets, referring to Note V. 21 and V. 23.

40. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
Corporate bonds	4,982,589,618.17	1,991,611,424.83
Total	4,982,589,618.17	1,991,611,424.83

(2) Movement of bonds payable:

Name of bonds	Par value	Issue date	Term	Issue amount	Opening balance of the period	Issued in the current period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	1,000,000,000.00	7 November 2019	3 years	996,720,000.00	996,809,660.82	
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	1,000,000,000.00	7 November 2019	5 years	994,720,000.00	994,801,764.01	
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2020	2,000,000,000.00	10 April 2020	5 years	1,990,132,075.48		1,990,132,075.48
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2020	1,000,000,000.00	27 May 2020	3 years	996,966,981.12		996,966,981.12
Total	5,000,000,000.00			4,978,539,056.60	1,991,611,424.83	2,987,099,056.60

(Continued)

Name of bonds	Accrued interest based on par value	Premium and discount amortisation	Repaid in the current period	Closing balance of the period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	37,700,000.00	1,072,321.91	37,700,000.00	997,881,982.73

Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	42,600,000.00	989,579.12	42,600,000.00	995,791,343.13
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues bonds (first tranche) in 2020	47,955,555.56	1,240,887.75	47,955,555.56	1,991,372,963.23
Yantai Guofeng Investment Holding Group Co., Ltd. publicly issues the first tranche of medium term notes in 2020	17,797,222.22	576,347.96	17,797,222.22	997,543,329.08
Total	146,052,777.78	3,879,136.74	146,052,777.78	4,982,589,618.17

41. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	713,982,873.63	942,933,858.67
Special payables	4,079,060,000.00	18,100,000.00
Total	4,793,042,873.63	961,033,858.67

(1) Long-term payables

Presentation of long-term payables by natures:

Item	Closing balance	Opening balance
Finance leased payable	339,716,873.63	538,667,858.67
Mining right fee	312,866,000.00	312,866,000.00
Share acquisition funds payable	60,000,000.00	60,000,000.00
Performance security of share acquisition	1,400,000.00	1,400,000.00
Payable on resources		30,000,000.00
Total	713,982,873.63	942,933,858.67

(2) Special payables

Item	Opening balance	Increase in the period	Decrease in the	Closing balance	Reasons
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		period		
Longkou Municipal Bureau of Finance		4,060,960,000.00	4,060,960,000.00	Principal and interest of special bond
Industrialisation project of dope-dyed meta-aramid short-staple fiber	10,000,000.00		10,000,000.00	Project without going through the acceptance check
Project of new recyclable process, a high quality aramid raw material with annual output of 7000 tons	8,100,000.00		8,100,000.00	Project without going through the acceptance check
Total	18,100,000.00	4,060,960,000.00	4,079,060,000.00	

42. Long-term employee benefits payable

Item	Closing balance	Opening balance
1. Post-employment benefits – net liabilities of defined benefit plans	45,189,394.90	49,017,085.70
2. Termination benefits	5,993,042.85	4,697,115.50
3. Other long-term employee benefits	6,436,982.14	6,990,707.23
Total	57,619,419.89	60,704,908.43

43. Provisions

Item	Closing balance	Opening balance
Provision for environmental costs	258,435,735.75	250,395,021.03
Product quality warranties	30,318,323.39	19,979,607.77
Asset retirement obligation	520,665.82	2,867,375.65
Provision for mine environmental restoration	9,154,048.91	1,399,427.60
Others	16,380,389.25	13,870,480.47
Total	314,809,163.12	288,511,912.52

44. Deferred income

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Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government grants	1,055,358,141.48	259,476,811.31	250,909,350.48	1,063,925,602.31	Monetary assets obtained from the government at no cost
Others	59,990,888.58	14,969,564.20	8,379,421.31	66,581,031.47	
Total	1,115,349,030.06	274,446,375.51	259,288,771.79	1,130,506,633.78	

Details of items related to government grants:

Item	Opening balance	New grants in the current year	Recognised in other income	Other changes	Exchange differences arising on translation of financial statements	Closing balance	Related to assets / income
Industrial upgrading subsidies	436,802,337.95	20,000,000.00	42,454,776.24			414,347,561.71	Related to assets
Industrial supporting subsidies	87,796,379.29	73,881,379.84	9,491,500.44			152,186,258.69	Related to assets
Subsidies for industry revitalisation and comprehensive technology transformation projects	114,894,908.93	7,056,890.43	11,647,743.57		935,534.76	111,239,590.55	Related to assets
Special funds for strengthening the core competitiveness of manufacturing industry	63,301,097.12	16,208,000.00	3,569,166.72			75,939,930.40	Related to assets/income
Special funds for supporting key advantageous industries	13,200,000.00	41,620,000.00				54,820,000.00	Related to income
Environmental protection subsidy	38,949,479.16		4,033,750.00			34,915,729.16	Related to assets

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Special funds for optimisation of industrial structure	33,071,150.98		3,852,949.68		29,218,201.30	Related to assets
Special funds for supporting the development of enterprises	25,753,134.20		830,746.32		24,922,387.88	Related to assets
Interest discount on loans for key industry technical transformation project	21,790,038.20		1,951,191.79		19,838,846.41	Related to assets
Special fund from construction of two zones	20,924,369.75		3,025,210.08		17,899,159.67	Related to assets
Park upgrading and reconstruction subsidies	16,839,373.00	600,000.00	1,256,250.00		16,183,123.00	Related to assets
Yantai "13th five year plan" innovation and development of marine economy demonstration city project		14,000,000.00			14,000,000.00	Related to assets
Ningxia Hui Autonomous Region performance evaluation and reward fund in 2019		10,000,000.00			10,000,000.00	Related to assets
Subsidy for stabilising posts		12,116,230.88	4,506,310.45		7,609,920.43	Related to income
HCFCs replacement and transformation project in industrial and	2,698,470.30	4,497,450.50			7,195,920.80	Related to assets

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commercial refrigeration industry							
Recycling transformation subsidies	6,937,500.00		750,000.00			6,187,500.00	Related to assets
Integrated molding and engineering fabrication of fibrous energy storage devices	7,507,707.50	763,871.00	3,396,854.00			4,874,724.50	Related to assets
Boiler flue gas ultra low emission transformation project	4,816,666.68		849,999.96			3,966,666.72	Related to assets
Special fund for the development of high-tech enterprises in the autonomous region in 2020		5,000,000.00	1,166,667.00			3,833,333.00	Related to assets
Special fund for strategic emerging Industrialisation in the autonomous region in 2019	3,703,703.70		444,444.48			3,259,259.22	Related to assets
Important subject funds for provincial key projects of new and old kinetic energy conversion in 2020		3,000,000.00				3,000,000.00	Related to assets
Comprehensive award and subsidy fund for industrial enterprise	3,000,000.00		125,000.00			2,875,000.00	Related to assets

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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technological transformation in Ningdong base in 2018							
High performance aramid fiber laminated products		3,030,183.33	273,400.00			2,756,783.33	Related to assets
Research & development and Industrialisation of major technology of key paper-based materials with an annual output of 1500 tons for wind power generation		2,830,736.39	343,730.95			2,487,005.44	Related to income
Independent innovation in Shandong Province (Industrialisation technology development of Para-aramid fiber with high strength and high modulus and its key raw materials)	3,541,666.66		1,249,999.56			2,291,667.10	Related to assets
Special funds for the industry-leading demonstration enterprises (products) in manufacturing industry in the autonomous		2,000,000.00				2,000,000.00	Related to assets

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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region in 2020							
Special funds for laboratory construction of national aramid fiber engineering technology research center	2,919,355.00		1,006,048.32			1,913,306.68	Related to assets
Provincial science and technology innovation and development funds in 2019 (financial subsidy for enterprise research and development)		1,530,000.00				1,530,000.00	Related to income
Water resource recycling project		1,500,000.00				1,500,000.00	Related to assets
Supporting funds for engineering preparation of 1000 tons of para aramids and its special protection application technology development (the first prize of provincial Science and Technology Awards)		1,500,000.00				1,500,000.00	Related to income
Development and Industrialisation of large temperature difference steam / distillation steam	1,520,412.44		113,952.76			1,406,459.68	Related to assets

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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compression equipment for high concentration organic liquid treatment							
Key technology of large scale and stabilisation preparation of high performance para-aramid	1,310,344.70		275,862.12			1,034,482.58	Related to assets
Special fund for independent innovation and achievement transformation in 2014 for the development of fusible meta-aramid Industrialisation technology	1,375,000.00		343,749.96			1,031,250.04	Related to assets
Key technology for preparation and engineering of high strength meta-aramid fiber	1,000,000.00					1,000,000.00	Related to assets
Research and development ground source heat pump technology and Industrialisation project	1,021,214.25		160,002.48			861,211.77	Related to assets
Cold and hot environment engineering technology research center	620,000.04					620,000.04	Related to assets
"Machines"	674,666.68		88,000.00			586,666.68	Related to

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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replace humans” technical transformation cold and hot interconnected refrigeration system in production line technical transformation project							assets
High-efficiency variable frequency centrifugal chillers (heat pump) with large capacity and stepless energy regulation	407,142.83		133,735.81			273,407.02	Related to assets
Research and demonstration of flue gas deep pollution reduction and “whitening” technology based on spray heat exchanger		200,000.00	17,783.68			182,216.32	Related to assets
Full liquid type of air-cooled heat pump unit	113,620.65		51,699.60			61,921.05	Related to assets
Energy saving projects	68,105,288.85			-68,105,288.85			Related to income
Implementation plan of high performance aramid fiber laminated products	21,112,555.52			-21,112,555.52			Related to assets
Special subsidy for green manufacturing	4,239,600.00		4,239,600.00				Related to income

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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system integration project						
Research & development and Industrialisation of major technology of key paper-based materials with an annual output of 1500 tons for wind power generation	3,388,000.00			-3,388,000.00		Related to assets/ income
Industrialisation of aramid paper with an annual output of 1500 tons	2,162,222.16			-2,162,222.16		Related to assets
Research of technology for forming on high performance wet-laid nonwovens	1,574,745.85			-1,574,745.85		Related to income
Research and development of major science and technology plan projects in 2015	880,333.34			-880,333.34		Related to assets
Research & development and Industrialisation of key technologies for special new type of paper-based materials for Aerospace	880,333.34			-880,333.34		Related to assets
key technology	538,819.26			-538,819.26		Related to

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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and industrialisation of preparation of high performance fiber mica insulated combined materials							income
Supporting funds for the National "Ten Thousand People Program"	500,000.00			-500,000.00			Related to income
Supporting funds for industrial transformation and upgrading in 2015	463,333.33			-463,333.33			Related to assets
Technical transformation project of natural refrigerant CO ₂ refrigerating system	350,000.00		350,000.00				Related to assets
Key technology and industrialisation of preparation of high performance fiber mica insulated combined materials	292,500.00			-292,500.00			Related to assets
Special fund for foreign economic and trade development of the central government (Subsidised interest for imported	285,722.14			-285,722.14			Related to assets

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

equipments)							
Joint development project of variable frequency screw chiller	80,974.38		80,974.38				Related to assets
Energy saving and utilisation in air conditioning production line expansion project	22,239.15		22,239.15				Related to assets
Special funds for innovation driven development of Yantai City in 2019 (Civil-Military Integration)	1,647.77			-1,647.77			Related to income
Others	33,990,064.38	38,142,068.94	47,078,324.16	-2,477,500.02		22,576,109.14	Related to assets/ income
Total	1,055,358,141.48	259,476,811.31	149,181,883.66	-102,663,001.58	935,534.76	1,063,925,602.31	

45. Other non-current liabilities

Item	Closing balance	Opening balance
Public housing maintenance fund	834,161.69	50,609.79
Total	834,161.69	50,609.79

46. Paid-in capital

Name of Investor	Opening balance		Increase in the current period	Decrease in the current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
Yantai SASAC	10,000,000,000.00	100.00			10,000,000,000.00	100.00

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Total	10,000,000,000.00	100.00			10,000,000,000.00	100.00
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47. Other equity instruments

Table of changes in preferred shares, perpetual debt and other financial instruments issued as at 31 December 2020:

Financial instruments issued	Opening balance of the period		Increase during the period		Decrease during the period		Closing balance of the period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Public offering of renewable corporate bonds in 2020 (first tranche)			20,000,000.00	1,996,632,075.46			20,000,000.00	1,996,632,075.46
Total			20,000,000.00	1,996,632,075.46			20,000,000.00	1,996,632,075.46

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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48. Other comprehensive income

Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
1. Items that will not be reclassified subsequently to profit or loss	29,509,730.42		636,754,585.66		300,334,758.42	78,154,732.71	258,265,094.53			107,661,463.13
Including: Changes as a result of remeasurement of defined benefit plan	-3,377,340.13		-6,765,518.29		-3,382,759.15	-791,413.67	-2,591,345.47			-1,168,753.80
Other comprehensive income accounted for using the equity method which will not be reclassified subsequently to profit and loss			532,404.28			532,404.28				532,404.28

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
Changes in fair value of other equity instrument investments	32,887,070.55		642,987,699.67		303,717,517.57	78,413,742.10	260,856,440.00			111,300,812.65
II. Items that may be reclassified subsequently to profit or loss	-62,086,886.10		311,290,209.02	-110,773,442.72	10,725,066.11	90,382,004.80	320,956,580.83			28,295,118.70
Including: other comprehensive income accounted for using equity method which will be reclassified into profit or loss	325,133.92		-877,559.67		-389,356.29	-130,133.52	-358,069.86			195,000.40

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other non-prelusive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
Gains arising from changes in fair value of available-for-sale financial assets	240,935.67		427,656.00			427,656.00				668,591.67
Effective part of gains and losses on cash flow hedging	-6,428,376.63		-22,239,087.31	-110,773,442.72	7,559,837.32	17,387,960.47	63,586,557.62			10,959,583.84
Exchange differences on translation of foreign currency financial statements	-56,224,579.06		333,979,200.00		3,554,585.08	72,696,521.85	257,728,093.07			16,171,912.79
Total other comprehensive income	-32,577,155.68		948,044,794.68	-110,773,442.72	311,059,824.53	168,536,737.51	579,221,675.36			135,959,581.83

49. Special reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Remark
Safety expenses	6,761,170.54	47,337,475.38	43,629,097.69	10,469,548.23	
Funds for maintaining simple reproduction	1,163,325.49	3,099,707.99	3,883,741.77	379,291.71	
Sinking and driving engineering cost	64,459.54			64,459.54	
Environmental restoration and governance deposit	136,424.38			136,424.38	
Development funds for switching to other production	812,371.22			812,371.22	
Total	8,937,751.17	50,437,183.37	47,512,839.46	11,862,095.08	

50. Surplus reserve

Item	Opening balance	Increase in the year	Decrease in the year (Note)	Closing balance
Statutory surplus reserve	143,552,678.68	35,374,567.93	143,552,678.68	35,374,567.93
Total	143,552,678.68	35,374,567.93	143,552,678.68	35,374,567.93

Note: The reason for the decrease in the year of surplus reserve is that Guofeng Group free transferred 30% of state-owned interests of JCC Guoxing (Yantai) Copper Co., Ltd. to Yantai Blue Sky Investment Development Group Co., Ltd. according to Yan Guo Zi [2019] No.69. The capital reserve is not sufficient to absorb the difference from consolidated financial statements, the excess of RMB 143,552,678.68 is adjusted against surplus reserve.

51. Undistributed profits

Item	Closing balance	Opening balance
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Undistributed profits at the end of the prior period before adjustment	4,504,822,040.87	9,293,981,200.27
Adjusting the total undistributed profits at the beginning of the year (Increase +, Decrease -)		98,891,678.51
Undistributed profits at the beginning of year after the adjustment	4,504,822,040.87	9,392,872,878.78
Add: Net profit attributable to equity holders of the Company for the period	1,772,322,163.91	2,349,020,398.24
Less: Appropriation to statutory surplus reserve	35,374,567.93	143,552,678.68
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares	928,574,298.16	1,095,815,729.33
Conversion of ordinary shares' dividends into share capital		
Others (Note)	51,741,972.73	5,997,702,828.14
Undistributed profits at the end of the period	5,261,453,365.96	4,504,822,040.87

Note: (1) Yantai Tayho Advanced Materials Group Co., Ltd. merged by Yantai Tayho Advanced Materials Co., Ltd. in this year, the capital reserve is not sufficient to absorb the difference from consolidated financial statements, the excess of RMB 25,541,446.43 is adjusted against retained profit; (2) The reason for the decrease in the year of undistributed profit - others is that Guofeng Group free transferred 30% of state-owned interests of JCC Guoxing (Yantai) Copper Co., Ltd. to Yantai Blue Sky Investment Development Group Co., Ltd. according to Yan Guo Zi [2019] No.69, and the capital reserve is not sufficient to absorb the difference from consolidated financial statements, the excess of RMB 25,292,248.43 is adjusted against retained profit; (3) Guosheng Investment Company reduced the undistributed profit of RMB 908,277.87 by withdrawing the employee reward and welfare fund.

52. Operating income and operating costs

Item	Amount for the current year		Amount for the prior year	
	Revenue	Cost	Revenue	Cost
Principal	82,877,284,349.32	60,762,865,836.59	75,424,665,368.37	53,926,586,727.88

operation				
Other operation	1,473,819,796.90	1,484,089,042.58	1,003,298,469.45	924,745,241.68
Total	84,351,104,146.22	62,246,954,879.17	76,427,963,837.82	54,851,331,969.56

53. Taxes and surcharges

Item	Amount for the current period	Amount for the prior period
Urban maintenance and construction tax	174,464,458.86	135,948,313.95
Business tax	168,906,148.35	147,458,621.11
Education surcharges	78,756,847.84	64,459,673.30
Stamp duty	74,639,687.91	77,004,465.34
Land use tax	64,715,990.86	57,613,161.32
Resources tax	53,545,819.67	58,976,016.88
Environmental protection tax	48,074,651.81	51,568,077.23
Local education surcharges	47,382,645.39	34,456,676.06
House property tax	43,348,173.46	37,306,393.59
Innovation contribution tax	14,757,459.55	11,360,416.23
Property tax	8,494,969.45	8,813,498.06
Local water conservancy construction fund	7,919,468.68	5,197,006.02
Water resources tax	2,538,730.69	3,139,240.91
Deed tax	2,015,820.00	
Vehicle and vessel use tax	68,713.03	65,019.14
Land value increment tax		7,757,944.34
Others	28,309,729.69	29,941,502.19
Total	817,939,315.24	731,066,025.67

54. Selling and distribution expenses

Item	Amount for the current period	Amount for the prior period
Logistics expenses	2,503,121,342.65	2,375,247,519.61
Staff cost	515,852,886.94	473,398,448.11

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Sales commission and consulting fees	119,534,179.44	132,443,801.00
Travelling expenses	63,876,730.82	89,367,609.71
Quality compensation fee	48,178,277.19	17,530,339.29
Business entertainment fee	33,826,862.29	20,742,405.32
Promotion expenses	23,463,964.05	33,802,798.28
Handling and storage cost	8,041,270.67	6,067,433.81
Rental and property management fee	6,595,040.96	6,402,258.33
Office expenses	6,357,513.26	6,100,764.64
Expenses for going abroad on business	5,846,165.28	8,510,294.00
Outsourcing installation cost		52,976,113.36
Packing fee		16,610,230.87
Others	161,966,390.74	183,688,368.55
Total	3,498,660,624.29	3,422,888,384.88

55. General and administrative expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	1,108,396,146.94	1,150,131,373.05
Depreciations	169,636,898.69	156,030,278.95
Material consumption	75,592,386.47	91,701,352.46
Consulting fee	37,886,483.25	86,016,942.98
Information cost	66,339,620.73	73,319,585.15
Rent and property management fee	57,092,501.62	64,077,704.24
Amortisation of intangible assets	58,627,258.02	54,398,005.94
Travel expenses	27,455,355.00	46,351,515.04
Labour costs	46,010,561.02	46,300,625.57
Business entertainment fee	30,209,239.26	33,716,503.08
Insurance fee	35,238,101.20	25,371,721.51
Service fees of specialist agency	36,253,532.23	23,148,994.39
Office expenses	20,151,645.70	11,683,583.24
Others	194,782,894.36	182,150,556.49

Total	1,963,672,624.49	2,044,398,742.09
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56. Research and development expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	942,662,835.86	826,778,487.98
Material consumption	386,635,447.08	440,024,345.06
Depreciations and amortisations of intangible assets	842,723,995.94	507,267,080.99
Consulting fees	6,589,212.54	21,560,709.73
Labour costs	12,845,296.50	8,594,623.43
Water, electricity & gas charges	61,784,829.69	53,230,222.23
Travel expenses	19,115,187.98	29,573,992.71
Others	154,728,522.10	88,320,801.61
Total	2,427,085,327.69	1,975,350,263.74

57. Financial expenses

Item	Amount for the current period	Amount for the prior period
Interest expenses	1,918,240,018.44	1,355,161,016.89
Less: Interest income	420,748,038.62	248,921,413.68
Exchange losses	121,909,369.34	-46,359,188.05
Less: Exchange gains	4,035,887.29	
Bank charges	6,586,204.50	7,829,333.31
Others	106,545,778.46	93,941,003.51
Total	1,728,497,444.83	1,161,650,751.98

58. Other income

Item	Amount for the current period	Amount for the prior period
Special fund for key industries support	523,411,490.06	722,274,639.98
Key industries and comprehensive technology transformation projects	47,669,087.77	36,750,000.00

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Awards for comprehensive utilisation of resources and energy-saving	45,511,974.39	43,748,593.98
Industrial upgrading subsidies	42,454,776.24	42,454,776.24
Subsidies for labor employment, social security and stabilising posts	12,952,137.19	2,071,517.25
Project of R22 replaced by R290 in medium and large scale cold brine unit for industrial refrigeration	12,385,572.00	
Subsidies for industry revitalisation and comprehensive technology transformation projects	11,647,743.57	12,341,502.48
Industry support subsidies	9,491,500.44	9,491,500.44
Subsidies for Ningdong innovation and development project	5,025,000.00	
Project of R22 replaced by R290 in medium and large scale cold brine unit for industrial refrigeration	4,825,990.02	991,051.53
Key technology of preparation and engineering of high performance differential meta-aramid fiber	4,288,545.75	
Special subsidy for green manufacturing system integration project	4,239,600.00	4,460,400.00
Advanced manufacturing industry award of Development Zone in 2019	4,172,000.00	
Special subsidies for environmental protection	4,033,750.00	3,870,593.76
Important subject funds for provincial key projects of new and old kinetic energy conversion in 2020	4,000,000.00	
Special funds for optimisation of industrial structure	3,852,949.68	3,852,949.68
Special funds for improvement of key competitiveness of manufactory industry	3,569,166.72	19,735,666.72
Integrated molding and engineering fabrication of fibrous energy storage devices	3,396,854.00	488,991.00
Engineering development of high performance aramid with wave-absorbing honeycomb materials	3,290,000.00	
Funds from Miyun Finance Office	3,099,000.00	2,769,000.00
Special fund from construction of two zones	3,025,210.08	3,025,210.08
Moon and Shandong University Hydrogen Energy Equipment Technology Research Institute	3,000,000.00	
Intellectual property reward fund	2,460,000.00	271,655.00
Instant "levy and refund" of VAT	2,348,502.94	1,375,442.60
Gains from debt restructuring	2,257,758.55	

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Strong city Award in manufacturing industry of Yantai in 2020	2,211,000.00	
Interest discount on loans for key industry technical transformation project	1,951,191.79	1,889,182.44
Project of replacing R22 screw single stage refrigeration system with NH ₃ / CO ₂ refrigerant system in refrigeration	1,854,353.86	1,854,353.86
Research and development subsidy	1,559,700.00	
Project of R22 replaced by refrigerant R513A in production line	1,303,148.27	324,126.49
Park upgrading and reconstruction subsidies	1,256,250.00	805,547.08
Independent innovation in Shandong Province (Industrialisation technology development of Para-aramid fiber with high strength and high modulus and its key raw materials)	1,249,999.56	1,250,000.00
Post financial subsidy for research & development expenses in 2019	1,188,600.00	
Special fund for advanced manufacturing industry in 2019 (enterprises with outstanding financial and tax contributions)	1,170,000.00	
Special fund for the development of high-tech enterprises in the autonomous region in 2020	1,166,667.00	
Research of technology for forming on high performance wet-laid nonwovens	1,099,096.05	
Special fund for science and technology development in Ningdong base	1,080,000.00	
Measures to deal with epidemic situation in Ningdong base	1,022,500.00	
Development of domestic meta-aramid paper	1,009,894.47	
Special funds for laboratory construction of national aramid fiber engineering technology research center	1,006,048.32	1,006,048.36
Supporting funds for national high-tech enterprises in 2019	1,000,000.00	
Subsidy funds for structural adjustment of industrial enterprises	1,000,000.00	
Incentive fund for promoting high quality development of Ningdong base	1,000,000.00	
PPP Loan relief	929,648.70	
Implementation plan of high performance aramid fiber laminated products	911,333.34	

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Supporting funds for innovative development zones (supporting major science and technology projects)	887,200.00	
Boiler flue gas ultra low emission transformation project	849,999.96	850,000.00
Recycling transformation subsidies	750,000.00	750,000.00
2018YFC0810302 - Research on the preparation, protection mechanism and indirect evaluation system of high grade are proof textile materials	750,000.00	384,913.52
Return of individual income tax	568,533.04	
Structural adjustment award of Yantai public employment and talent service center	527,115.38	
Innovation driven development fund of Yantai Finance Bureau (key technology and Industrialisation of hydrogen liquefaction equipment)	500,000.00	
Project of revamping R22 refrigeration unit line 2 with NH ₃ / CO ₂ cascade technology	454,530.00	454,530.00
Research and demonstration of flue gas deep pollution reduction and "whitening" technology based on spray heat exchanger	400,000.00	
Notification of Jinan Municipal People's Government on printing and Distributing Several Policies and measures for promoting the development of advanced manufacturing industry and digital economy in Jinan City	400,000.00	
Research of technology for forming on high performance wet-laid nonwovens	391,628.44	
Technical transformation project of natural refrigerant CO ₂ refrigerating system	350,000.00	700,000.00
Project of R22 replaced by refrigerant R32 in air cooling module chiller	300,678.33	
Project of R22 replaced by refrigerant R32 in production line	285,089.16	250,086.99
Special funds for supporting enterprise development	180,000.00	1,600,000.00
Research and development ground source heat pump technology and Industrialisation project	160,002.48	160,002.48
Key technology and industrialisation of preparation of high performance fiber mica insulated combined material	154,832.07	
Funding from Institute of physics and chemistry,	141,000.00	133,000.00

Chinese Academy of Sciences		
High-efficiency variable frequency centrifugal chillers (heat pump) with large capacity and stepless energy regulation	133,735.81	180,000.00
Notice on issuing funds for the second batch of "Machines replace humans" technical transformation project award in 2016	88,000.00	88,000.00
Joint development project of variable frequency screw chiller	80,974.38	72,000.00
Full liquid type of air-cooled heat pump unit	51,699.60	51,699.60
Sporadic government subsidies	34,991.05	914,793.85
Refund of service charge for withholding individual income tax	25,650.60	67,119.62
Research and development of vertical fully enclosed screw technology	22,259.15	43,991.16
BC China and Hungary industrial park subsidies		32,949,461.81
Environmental protection differential spandex project investment incentive fund		6,870,000.00
Subsidies for infrastructure construction		5,412,781.33
Comprehensive award and fund for technical transformation of industrial enterprises - Key industries expansion chain and supplement chain		3,000,000.00
Supporting funds for the development zone of domestic para-aramid and its combined materials for large ships		2,000,000.00
Subsidies for Ningdong innovation and development project - the development of high grade warp knitted spandex production technology		1,800,000.00
Subsidised interest for pledged loans		1,365,500.00
Special funds for innovation driven development (Intellectual property development)		1,236,000.00
Subsidies for Ningdong innovation and development project - the development of new hot melt spandex products		1,215,000.00
Special fund for innovation driven development		1,107,600.00
Research & Development and application demonstration of accommodation shelter in Plateau and cold zone		1,080,000.00
Fixed assets investment subsidy		825,184.50

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Funds for key research & development projects (industrial enterprise projects above designated size) in the autonomous region in 2019 - new product development of ultra flexible and low resilience spandex		800,000.00
Subsidised interest for loans of provincial key industry		773,333.28
Provincial Science and technology innovation and development fund in 2019 (financial subsidy for enterprise research and development)		769,895.05
Supporting funds for the development of domestic para-aramid and its combined materials for large ships		630,835.42
Standardisation funding - other income		620,000.00
Guiding funds of capital market innovation and development		600,000.00
Talent construction fund of finance bureau in 2018 (leading talents of Taishan industry)		600,000.00
Strong city award in manufacturing industry of bureau of industry and information technology of Yantai in 2018		533,900.00
Cold and hot environment engineering technology research center		189,999.97
Energy saving and utilisation (centrifugal chiller)		71,042.99
Subsidies for key projects of introducing overseas talents in the autonomous region in 2019		500,000.00
Subsidy for Strong City Award in manufacturing industry of district level in 2018		500,000.00
Financial batch generation plan of support fund for manufacturing industry (economic development, technology and innovation Bureau) in 2019		500,000.00
Project funds for bank slopes and dikes		385,386.00
Development of fusible meta-aramid Industrialisation technology		343,750.00
Exemption from value added tax		322,810.02
Engineering preparation of 1000 tons of para aramids and its special protection application technology development		300,000.00
Special funds for innovation driven development in 2019 (the subsidy fund for high-tech enterprises was identified for the first time)		300,000.00

Special funds for strategic emerging Industrialisation of the autonomous department in 2019		296,296.30
Foreign trade public service platform construction funds		276,451.72
Key technology of large scale and stabilisation preparation of high performance para-aramid		275,862.12
Supporting funds for research and development zone of integrated protection technology for police vehicles and important equipment in 2019		261,000.00
Key technology for large scale preparation of carbon nanofibers		260,869.56
Yantai science and technology development program fund		250,000.00
Special funds for improving quality and increasing efficiency of provincial industry (para-aramid fiber phase I Spinning Extension Project)		250,000.00
Financing subsidy for intellectual property pledge of small and micro enterprises		208,500.00
Provincial industrial quality improvement and efficiency promotion funds		203,100.00
Supporting funds for research and application demonstration development zone of individual equipment system for stab prevention and explosion protection at disaster site in 2019		200,000.00
Special funds for non-public economic development of small and medium sized enterprises in the autonomous region in 2019		200,000.00
Subsidised interest for imported equipments of para-aramid		183,180.00
Subsidy for upgrading international market development in 2019 (exhibition subsidy)		158,000.00
Provincial Department of commerce international market opening fund subsidy		140,000.00
Financial subsidies for research and development -[2019] No.37		139,000.00
The second batch of financial subsidies for enterprise research and development in 2019		138,700.00
Funds for para-aramid fabric project		125,000.00
Key technology for preparation of ultra high modulus para-aramid filament		125,000.00
Key technology for the preparation of high		125,000.00

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elongation aramid for emergency rescue and protection equipment		
Engineering research center project subsidy		122,266.15
Subsidy fund for municipal military industry qualification award in 2018		100,000.00
Subsidy for recruitment award of Municipal Employment Service Center		100,000.00
2018YFC0810305 - Research and development of new materials for splash protection of molten metal		99,000.00
Subsidy fund for enterprise research and development in 2018		97,300.00
Research and development of integrated protection technology for police vehicles and important equipment		91,009.63
Principle of light and high efficiency protection and forming technology of composite functional fabric		81,428.52
Research on application technology of domestic high performance para-aramid fiber and its fabric in bulletproof and stab-proof functional clothing		78,750.00
Engineering development of high toughness domestic aramid II Bullet Resistant Fiber		62,500.00
Subsidy for demolition		46,970.00
Financial subsidies for research and development -[2019] No.21		41,700.00
Key technology and industrialisation of preparation of high performance fiber mica insulated combined materials		38,029.11
Patent creation funds		38,000.00
Standardised funding of Yantai municipal market supervision and administration		30,000.00
Subsidy of patent awards of Provincial Intellectual Property Development Center in 2019		4,000.00
Subsidies for intellectual property invention patent		3,000.00
Hart patent subsidy		900.00
Others	60,553,227.92	25,273,814.16
Total	860,419,188.13	1,021,529,993.83

59. Investment income

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Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	223,776,706.18	85,937,188.58
Gains on disposal of long-term equity investments	-5,268,336.41	-6,470,826.05
Investment income from financial assets measured at fair value through current profit or loss during holding period	1,006,249.54	1,789,796.51
Investment income from disposal of financial assets measured at fair value through profit or loss	3,247,329.61	39,826,142.62
Investment income from held-to-maturity investments during holding period		
Investment income from available-for-sale financial assets during holding period	29,736,122.72	34,181,733.60
Investment income from disposal of available-for-sale financial assets		5,668,912.40
Investment income from financial products	52,826,463.12	25,293,387.67
Investment income from entrusted loans	13,712,158.62	11,049,885.50
Cash dividends		
Interest income from debt investments during holding period		1,492,182.00
Gains on disposal of held-for-trading financial assets	93,454,304.75	89,117,420.02
Investment income from other non-current financial assets during holding period		19,256,198.00
Gains on disposal of other non-current financial assets		9,063,053.02
Gains on disposal of receivables financing		-3,059,875.00
Dividend income from other equity instruments during holding period	12,211,368.70	
The investment cost of the subsidiary acquired is less than the income from the fair value of the identifiable net assets of the investee when the investment is obtained		
Others	1,184,492.82	6,643,889.70
Total	425,886,859.65	319,789,088.57

60. Gains from changes in fair values

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Sources of gains on changes in fair value	Amount for the current period	Amount for the prior period
Financial assets held for trading	-120,693.34	12,288,750.09
Financial assets at fair value through profit or loss	-1,056,817.81	-32,434.18
Other non-current financial assets		259,300,310.62
Total	-1,177,511.15	271,556,626.53

61. Credit impairment losses

Item	Amount for the current period	Amount for the prior period
I. Impairment loss on accounts receivable	-112,479,707.56	-46,355,529.53
II. Impairment loss on other receivables	-1,545,086.75	-561,764.87
III. Impairment loss on notes receivable	-3,005,991.74	-193,200.48
IV. Impairment loss on long-term receivables	1,696,000.00	-324,000.00
Total	-115,334,786.05	-47,434,494.88

62. Impairment losses of assets

Item	Amount for the current period	Amount for the prior period
I. Losses on decline in value of inventories	-24,898,549.56	2,447,532.93
II. Bad debt losses	-3,216,559.34	-245,605,051.88
III. Impairment losses on available-for-sale financial assets		-10,433,824.16
IV. Impairment losses on fixed assets	-260,241,117.36	-2,178,435.72
V. Impairment losses on construction in progress	-481,644,232.92	-352,687,456.92
VI. Impairment losses on contract assets	-6,181,189.61	
Total	-776,181,648.79	-608,457,235.75

63. Gains on disposal of assets

Item	Amount for the current period	Amount for the prior period
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Gains on disposal of non-current assets	22,696,189.97	24,588,913.55
Total	22,696,189.97	24,588,913.55

64. Non-operating income

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Compensation for breach of contract	15,922,978.85		15,922,978.85
Income from other compensations	1,854,974.70	52,479,965.54	1,854,974.70
Gains from damage or scrapping of non-current asset	369,676.14	480,016.46	369,676.14
Government grants not related to the ordinary course of business	278,551.98	969,389.35	278,551.98
Income from fines	15,250.00	651,256.48	15,250.00
Gains from debt restructuring		1,270,389.90	
Performance compensation		2,145,600.00	
Payables that cannot be paid		836,988.79	
Others	13,109,699.82	31,553,003.45	13,109,699.82
Total	31,551,131.49	90,386,609.97	31,551,131.49

65. Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Losses from damage or scrapping of non-current assets	110,876,978.42	105,175,996.97	110,876,978.42
Donations to third parties	14,616,991.33	10,885,950.99	14,616,991.33
Amercement outlay	1,671,420.18	1,019,596.09	1,671,420.18
Tax overdue fine	430.62	1,610.46	430.62
Loss from debt restructuring		2,583,470.25	
Amortised insurance indemnity		4,633,028.70	
Others	25,203,098.17	10,715,979.95	25,203,098.17
Total	152,368,918.72	135,015,633.41	152,368,918.72

66. Income tax expenses

Item	Amount for the current period	Amount for the prior period
Current tax expense	1,559,408,505.51	1,490,226,208.05
Deferred tax expense	-121,445,553.38	295,019,813.63
Others	50,280.24	
Total	1,438,013,232.37	1,785,246,021.68

67. Notes to Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	Amount for the current year	Amount for the prior year
Government grants received	959,351,702.01	997,336,018.02
Interests income	91,146,330.15	196,358,892.15
Deposits and security deposits recovered	78,226,962.01	144,510,341.69
Cash and bank balances with restrictions recovered	97,741,612.65	1,042,685,344.65
Operating lease and income from scraps	116,896.19	
Entrusted loans	30,000,000.00	
Current accounts and others	2,090,885,512.79	1,883,136,370.79
Total	3,347,469,015.80	4,264,026,967.30

(2) Other cash payments relating to operating activities

Item	Amount for the current year	Amount for the prior year
Total expenses paid	4,204,170,141.85	4,349,863,383.47
Cash and bank balances with restrictions paid	335,595,547.78	57,955,745.64
Deposits and security deposits paid, etc.	79,309,501.02	131,449,083.20
Current accounts and others	1,553,120,034.88	2,534,913,295.67
Total	6,172,195,225.53	7,074,181,507.98

(3) Other cash receipts relating to investing activities

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Item	Amount for the current year	Amount for the prior year
Current accounts	66,361,874.76	172,754,849.17
Withdrawal of term deposit at maturity		12,950,000.00
Net cash receipts from subsidiaries	20,413,751.88	28,814,583.16
Project deposit	1,428,900.00	
Interest income received		6,437,945.35
Refund of land purchase payment	24,066,534.87	
Others	2,373.48	175,779.00
Total	112,273,434.99	221,133,156.68

(4) Other cash payments relating to investing activities

Item	Amount for the current year	Amount for the prior year
Current accounts	37,327,741.95	1,509,416,858.90
Net cash decrease from disposal of subsidiaries	206,136,685.26	66,893,655.55
Financial products	273,000,019.12	
Prepayment of deposit for equity purchase	120,000,000.00	
Others	314,137.20	508,191.10
Total	636,778,583.53	1,576,818,705.55

(5) Other cash receipts relating to financing activities

Item	Amount for the current year	Amount for the prior year
Interest received on multi-currency interest rate swap contracts	68,716,302.14	81,476,708.00
Borrowed funds	4,720,000.00	
Current accounts	4,044,000,000.00	32,300,000.00
Cash received on a loan pledged by note	140,293,249.99	17,351,322.00
Others		10,000.00
Total	4,257,729,552.13	131,138,030.00

(6) Other cash payments relating to financing activities

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Item	Amount for the current year	Amount for the prior year
Repayment of finance lease	191,030,819.50	193,180,986.17
Deposits for receiving loans	49,027,128.28	2,720,000.00
Purchase of minority shareholders' equity		20,000,000.00
Payment on minority shareholders' capital reduction		2,918,323.10
Payment of financing charges	67,992,632.87	1,869,741.21
Expenses for additional issuance of new shares		680,753.79
Current accounts and others	10,069,438.32	214,941,501.82
Total	318,120,018.97	436,311,306.09

68. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement:

Supplementary information	Amount for the current year	Amount for the prior year
I. Reconciliation of net profit to cash flow from operating activities:		
Net profit	10,525,771,202.67	11,392,975,546.63
Add: Impairment losses of assets	776,181,648.79	608,457,235.75
Impairment loss of credit	115,334,786.05	47,434,494.88
Depreciation of fixed assets, oil and gas assets, productive biological assets	5,382,491,102.33	4,719,546,756.04
Amortisation of intangible assets	369,149,574.89	389,471,597.12
Amortisation of long-term prepaid expenses	8,144,005.08	7,500,215.65
Losses on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by "--")	-22,696,189.97	-13,975,820.46
Losses on retirement of fixed assets (income is indicated by "--")	110,523,231.49	104,695,806.88
Losses on changes in fair value (income is indicated by "--")	1,177,511.15	-271,556,626.53
Financial expenses (income is indicated by "--")	1,916,749,192.67	1,368,353,865.44
Investment losses (income is indicated by "--")	-425,886,859.65	-319,789,088.57
Decrease in deferred tax assets (increase is indicated by	-224,776,874.75	269,290,671.86

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“—”)		
Increase in deferred tax liabilities (decrease is indicated by “—”)	107,095,462.42	36,313,372.09
Decrease in inventories (increase is indicated by “—”)	-212,072,915.20	440,216,140.13
Decrease in receivables from operating activities (increase is indicated by “—”)	2,330,302,982.22	4,114,937,837.56
Increase in payables from operating activities (decrease is indicated by “—”)	-3,521,828,092.64	3,460,518,577.58
Increase in restricted monetary funds	292,710.85	
Others	-3,780,259.79	-87,342,084.42
Net cash flow from operating activities	17,232,172,218.61	26,267,048,497.63
II. Significant investing and financing activities that do not involve cash receipts and payments:		
Fixed assets acquired and constructed by debts	5,537,960,195.50	6,351,064,765.93
Equity and long-term assets invested by minority shareholders	600,000,000.00	
Fixed assets acquired under finance leases		
III. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	26,297,452,130.51	7,714,068,694.58
Less: Opening balance of cash and cash equivalents	7,714,068,694.58	8,298,204,636.44
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	18,583,383,435.93	-584,135,941.86

(2) Composition of cash and cash equivalents:

Item	Closing balance	Opening balance
I. Cash	26,297,452,130.51	7,714,068,694.58
Including: Cash on hand	1,442,493.59	2,146,298.21
Cash at bank that can be readily drawn on demand	26,291,179,412.16	7,485,002,489.86
Other monetary funds that can be readily drawn on demand	4,830,224.76	226,919,906.51
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	26,297,452,130.51	7,714,068,694.58

Including: Restricted cash and cash equivalents of
the Parent and subsidiaries within the Group

69. Restricted ownership of asset and right of use

Item	Closing book value	Reasons to be restricted
Cash and bank balances	377,665,815.98	Deposits for issuing bank acceptance bills; deposits for letter of credit, LPG paper deposits and procurement deposits; deposits for product registration, tax authorities and railway authorities; deposits for migrant workers' salary; deposits for forward settlement of exchange, deposit for letter of guarantee, etc.
Notes receivable	130,523,975.95	Pledged
Accounts receivable	32,000,000.00	Accounts receivable factoring business
Receivables financing	456,981,034.26	Pledged for opening acceptance bills, letter of credit
Fixed assets	725,170,909.67	Used for obtaining loans
Intangible assets	17,006,409.07	Used for obtaining loans
Investment in other equity instruments	691,904,000.00	Pledged for obtaining bank loans
Others	9,880,000.00	Dividends on pledged shares
Total	2,441,132,144.93	

VI. CHANGES IN CONSOLIDATION SCOPE

Name of subsidiary	Consolidated subsidiary in 2019 (Yes/No)	Consolidated subsidiary in 2020 (Yes/No)	Reasons for changes
Yantai Moon Holding Co., Ltd. (Note 1)	No	Yes	
Yantai Moon Investment Co., Ltd. (Note 1)	No	Yes	
Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.	No	Yes	New subsidiary
Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd.	No	Yes	New subsidiary
Yantai Guofeng Junhe Trading Co., Ltd.	No	Yes	New subsidiary
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.	No	Yes	New subsidiary

Yantai Guoyuan Financial Leasing Co., Ltd.	No	Yes	New subsidiary
Yantai Guofeng Xinyao Supply Chain Management Co., Ltd.	No	Yes	New subsidiary

Note 1: On 4 March 2020, according to the approval of the document “Yan Zheng Zi (2019) No.33” issued by Yantai Municipal People’s government, Moon Group Co., Ltd. was successfully divided with the original company survival on 31 October 2019, as the surviving company, and Yantai Moon holding Co., Ltd. and Yantai Moon Investment Co., Ltd. as the two newly established company. The division and succession of assets and liabilities are as follows:

The underlying assets of the separation are the “long-term equity investment (including circulation right of equity separation)” held by Yantai Moon Group Co., Ltd. in Moon Environment Technology Co., Ltd. on the base date of separation, which are classified into Yantai Moon Holding Co., Ltd. and Yantai Moon Investment Co., Ltd. with the proportion of 52% and 48% respectively. On the base date of separation, the remaining assets of Yantai Moon Group Co., Ltd. were inherited by Yantai Moon Group Co., Ltd. All creditor’s rights and liabilities of the original business of Yantai Moon Group Co., Ltd. shall be inherited by Yantai Moon Group Co., Ltd. (the remained company) on the base date of separation.

After the completion of the separation, the registered capital of Yantai Moon Group Co., Ltd. is RMB 23.1327 million, of which RMB 12.029 million is from the State-owned Assets Supervision and Administration Commission of Yantai Government (Yantai Guofeng Investment Holding Group Co., Ltd.), accounting for 52% of the registered capital; RMB 11.1037 million is from Yantai Yuanhong Industrial Co., Ltd., accounting for 48% of the registered capital.

VII. INTERESTS IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the Group:

Name of significant subsidiary	Main location	Registration location	Operation nature	Proportion (%)		Method of getting the subsidiary
				Direct	Indirect	
Wanhua Chemical Group Co., Ltd.	China	Yantai	Manufacturing	21.59		Obtained by transfer
Wanhua Industrial Group Co., Ltd.	China	Yantai	Manufacturing	39.497		Obtained by transfer
Yantai Tayho Advanced Materials Co., Ltd.	Yantai	Yantai	Manufacturing	20.50		Obtained by transfer
Yantai Moon Group Co., Ltd.	Yantai	Yantai	Manufacturing	52.00		Obtained by transfer
Yantai Moon Holding Co., Ltd.	Yantai	Yantai	Service	52.00		See Note VI. Note 1
Yantai Moon Investment Co., Ltd.	Yantai	Yantai	Service	52.00		See Note VI. Note 1
Yantai Mingxiang Holdings Co., Ltd.	Yantai	Yantai	Manufacturing	52.00		Obtained by transfer
Yantai Wanhua Synthetic Leather Group Co., Ltd.	Yantai	Yantai	Manufacturing	100.00		Obtained by transfer
Yantai Guosheng Investment Holding Co., Ltd.	Yantai	Yantai	Service	100.00		Obtained by transfer
Yantai Guotai Chengfeng Asset Management Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Yantai Offshore Engineering Investment Development Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd.	Yantai	Yantai	Real Estate	51.00		Established by investment
Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.	Yantai	Yantai	Real Estate	40.00		Established by investment
Yantai Guoyuan Financial Leasing Co., Ltd.	Yantai	Yantai	Service	51.00		Established by investment

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Yantai Guofeng Junhe Trading Co., Ltd.	Yantai	Yantai	Service	51.00		Established by investment
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.	Yantai	Yantai	Service	51.00		Established by investment
Moon Environment Technology Co., Ltd.	Yantai	Yantai	Manufacturing		36.11	Obtained by transfer

(2) Significant non-wholly owned subsidiaries:

Name of subsidiary	Proportion of minority interest (%)	Profit and loss attribut-able to minority interest	Dividends declared to be distributed to minority interest in the period	Closing balance of minority interest
Wanhua Chemical Group Co., Ltd.	78.41	8,246,974,588.25	3,587,301,563.60	41,119,097,241.41
Yantai Tayho Advanced Materials Co., Ltd.	79.50	233,839,437.13	8,016,500.00	3,196,131,407.12
Wanhua Industrial Group Co., Ltd.	60.503	22,365,037.18		2,995,927,266.40

(3) Financial information in significant not-wholly-owned subsidiaries:

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Chemical Group Co., Ltd.	40,526,421,976.10	93,226,247,412.37	133,752,669,388.47	68,133,901,472.39	13,967,994,159.12	82,101,895,631.51
Yantai Tayho Advanced Materials Co., Ltd.	3,423,158,609.81	2,810,412,709.02	6,233,571,318.83	1,418,030,844.58	909,283,192.12	2,327,314,036.70
Wanhua Industrial Group Co., Ltd.	1,698,260,202.29	4,220,658,423.84	5,918,918,626.13	629,332,309.76	337,885,960.35	967,218,270.11

(Continued)

Name of subsidiary	Opening balance
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Chemical Group Co., Ltd.	23,483,577,397.65	73,381,745,257.64	96,865,322,655.29	44,799,566,175.61	8,134,497,508.05	52,934,063,683.66
Yantai Tayho Advanced Materials Co., Ltd.	2,104,465,976.79	2,348,404,253.53	4,452,870,230.32	694,070,154.40	886,678,937.94	1,580,749,092.34
Wanhua Industrial Group Co., Ltd.	2,231,067,431.09	4,749,006,554.61	6,980,073,985.70	1,285,125,767.13	563,870,716.45	1,848,996,483.58

Name of subsidiary	Amount for the current year			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	73,432,968,475.63	10,414,918,896.60	10,867,957,039.63	16,849,705,990.71
Yantai Tayho Advanced Materials Co., Ltd.	2,441,165,340.18	295,578,996.63	295,578,996.63	551,032,837.96
Wanhua Industrial Group Co., Ltd.	1,083,608,338.31	25,419,607.81	25,320,760.73	225,359,715.88

(Continued)

Name of subsidiary	Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	68,050,668,650.78	10,593,318,819.77	10,570,683,614.01	25,932,941,200.65
Yantai Tayho Advanced Materials Co., Ltd.	2,534,782,060.91	226,256,931.45	226,256,931.45	287,020,147.08
Wanhua Industrial Group Co., Ltd.	1,468,983,032.52	38,246,383.60	38,246,383.60	185,098,730.41

(4) There are no significant limitations on use of the group assets and pay off the group debts.

(5) There is no financial or other support provided to structured entities included in consolidated financial statements.

(6) There is no other description of equity in subsidiaries.

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates:

Name of joint ventures or associates	Main location	Registration location	Operation nature	Proportion (%)		Accounting method
				Direct	Indirect	
I. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	China	Yantai	Service		50.00	Equity method
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	China	Ningbo	Manufacturing		55.00	Equity method
Yantai Tayho Engineering Materials Co., Ltd. (Note 3)	China	Yantai	Manufacturing		30.00	Equity method
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai	Yantai	Manufacturing		45.00	Equity method
II. Associates						
Yantai Bulk Commodity Exchange Center (Note 4)	China	Yantai	Service		20.00	Equity method
Yantai Wanhua Chlor-Alkali Co., Ltd. (Note 5)	China	Yantai	Manufacturing		20.00	Equity method
Linde Gas (Yantai) Co., Ltd. (Note 6)	China	Yantai	Manufacturing		10.00	Equity method

Note 1: The original registration capital of Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (hereinafter referred to as “Wanhua Industrial Park”) was RMB 120,000,000.00, for which Wanhua Chemical holds 50% of shares. According to the articles of association, the board of directors is composed of seven directors, among which Wanhua Chemical has three directors. Major matters of Wanhua industrial park shall be passed with the consent of at least two thirds of the directors, therefore, it is a joint venture which is being jointly controlled and thus equity method is adopted. In 2020, Wanhua chemical increase its capital in the same proportion as agreed in the capital increase agreement. After the capital increase, Wanhua Chemical added the amount of subscribed capital by RMB 420, 000,000.00 with the shareholding proportion unchanged.

Note 2: Ningbo Xiebei Thermal Power Co., Ltd. was jointly invested by Wanhua Thermal Power (a subsidiary of Wanhua Chemical) and Hong Kong Liwan Group Co.,

Ltd., Wanhua Thermal Power holds 55% equity of the Company, totally contributing RMB 148,500,000.00; Hong Kong Liwan Group Co., Ltd. holds 45% equity of the Company, totally contributing RMB 121,500,000.00. According to the articles of association of Xiebei Thermal Power, the board of directors consists of five directors, including three directors assigned by the Group. Resolutions are entered into force upon agreement of two thirds of directors, therefore, it is accounted as a joint venture using equity method as it is jointly controlled by both parties.

Note 3: The articles of association of Yantai Tayho Engineering Materials Co., Ltd. (hereinafter referred to as “Engineering Materials Company”) stipulates that the board of directors is composed of three directors, one of whom is recommended by Yantai Tayho Advanced Materials Co., Ltd., one of whom is recommended by Yantai Venture High-tech Co., Ltd. and one of whom is recommended by Yantai Huide Chemical Co., Ltd., and elected by the shareholders’ meeting in equal amount. The decisions made by the board of directors on the matters discussed shall be valid only if they are unanimously approved by all the directors. The judgment of Tayho Advanced Materials has a significant impact on the Engineering Materials Company after the completion of complete the industrial and commercial modification procedures, thus it is accounted for using the equity method.

Note 4: Yantai Bulk Commodity Exchange Center is a joint venture co-founded by Yantai Lianhe Equity Exchange Center Co., Ltd., Yantai Lianchu Fruit Cold Storage Co., Ltd. and Wanhua Chemical, for which Wanhua Chemical holds 20% of shares and subscribed a capital amounting to RMB 10,000,000.00, equal to the actually paid capital. According to the articles of association, the board of directors is composed of five directors, among which Wanhua Chemical has one directors. Therefore, the Company can exert significant influence over the operating policy decisions and thus equity method is adopted.

Note 5: The registered capital of Yantai Wanhua Chlor-Alkali Co., Ltd. is RMB 44 million, and Wanhua Chemical holds 20% of equity interests. According to the articles of association, the board of directors is composed of five directors, and Yantai Xinyuan Investment Co., Ltd., a subsidiary of Wanhua Chemical, appoints two directors. Therefore, it has a significant impact on the company's business decisions, and thus equity method is adopted.

Note 6: Linde Gas (Yantai) Co., Ltd. (hereinafter referred to as "Linde Gas") is a joint venture co-founded by Linde Gas (Hong Kong) Co., Ltd. and Wanhua Chemical; Wanhua Chemical holds 10% of equity interest. According to the Articles of the Linde Gas, the board of directors consists of five directors, one of which is appointed by Wanhua Chemical, therefore Wanhua Chemical can exert significant influence over the operating policy decisions and thus equity method is adopted. In 2019, Linde Gas made resolutions to increase capital to RMB 917,092,489.58, in which Wanhua Chemical added investments by RMB 12,043,148.96 in cash with the shareholding proportion unchanged, still being 10%. The unpaid part of the previous period of RMB 7,543,148.96 is paid in the period.

(2) Financial information in significant joint ventures:

	Closing balance / Amount for the current year			
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai Tayho Engineering Materials Co., Ltd.
Current assets	156,345,235.10	208,732,907.29	240,998,687.77	15,325,588.95
Non-current assets	3,138,881,752.16	658,307,227.33	119,575,083.44	5,180,394.97
Total assets	3,295,226,987.26	867,040,134.62	360,573,771.21	20,505,983.92
Current liabilities	151,148,466.78	463,611,834.46	67,836,528.66	3,612,357.17
Non-current liabilities	1,659,986,161.82		10,952,932.53	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Total liabilities	1,811,134,628.60	463,611,834.46	78,789,461.19	3,612,357.17
Minority interests				
Equity attributable to equity holders of the Company	1,484,092,358.66	403,428,300.16	281,784,310.02	16,893,626.75
Share of net asset calculated by share-holding proportion	742,046,179.33	221,885,565.09	130,469,262.94	5,068,088.03
Adjustments				
--Goodwill				
--Unearned profits from internal trans-actions				
--Others				745,300.73
Book value of equity investment in associates	742,046,179.33	221,885,565.09	130,469,262.94	5,813,388.76
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A	N/A	N/A
Operating income	324,903,962.25	821,252,290.76	534,564,642.62	17,031,066.03
Net profit	31,280,022.81	93,611,824.34	27,540,772.03	752,161.96
Net profit from discontinued				

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

operations				
Other comprehensive income				
Total comprehensive income	31,280,022.81	93,611,824.34	27,540,772.03	752,161.96
Dividends received from joint ventures in the current year		27,500,000.00		

(Continued)

	Opening balance / Amount for the prior year			
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai Tayho Engineering Materials Co., Ltd.
Current assets	115,563,403.91	199,787,297.85	288,976,161.08	14,061,707.54
Non-current assets	1,939,249,518.72	652,652,500.60	129,808,802.94	6,246,134.72
Total assets	2,054,814,922.63	852,439,798.45	418,784,964.02	20,307,842.26
Current liabilities	108,252,217.66	443,623,322.81	147,722,438.46	4,166,377.47
Non-current liabilities	1,333,750,369.12			
Total liabilities	1,442,002,586.78	443,623,322.81	147,722,438.46	4,166,377.47
Minority interests				
Equity attributable to equity holders of the Company	612,812,335.85	408,816,475.64	271,062,525.56	16,141,464.79
Share of net asset calculated by	306,406,167.92	224,849,061.61	125,517,023.34	4,842,439.44

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

share-holding proportion				
Adjustments				
--Goodwill				
--Unearned profits from internal trans-actions				-176,334.08
--Others				
Book value of equity investment in associates	306,406,167.92	224,849,061.61	125,517,023.34	4,666,105.36
Fair value of equity investments in joint ventures where there is quoted price	N/A	N/A	N/A	N/A
Operating income	218,976,986.60	797,576,857.09	418,355,935.89	20,462,096.76
Net profit	4,340,731.42	108,947,435.87	26,529,376.87	1,392,408.40
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	4,340,731.42	108,947,435.87	26,529,376.87	1,392,408.40
Dividends received from joint ventures in the current year		63,800,000.00		

(3) Main financial information in significant associates:

	Closing balance / Amount for the current year
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

	Linde Gas (Yantai) Co., Ltd.	Yantai Bulk Commodity Exchange Center	Yantai Wanhua Chlor-Alkali Co., Ltd.
Current assets	136,835,851.77	35,739,550.29	183,167,918.26
Non-current assets	1,461,332,195.87	10,352,186.51	683,873,434.21
Total assets	1,598,168,047.64	46,091,736.80	867,041,352.47
Current liabilities	249,726,556.22	440,932.21	23,753,072.65
Non-current liabilities	320,680,975.83		146,918,414.00
Total liabilities	570,407,532.05	440,932.21	170,671,486.65
Minority interests			
Equity attributable to equity holders of the Company	1,027,760,515.59	45,650,804.59	696,369,865.82
Share of net asset calculated by share-holding proportion	102,776,051.56	9,130,160.92	139,273,973.16
Adjustments			
--Goodwill			
--Unearned profits from internal trans-actions			
--Others			
Book value of equity investment in associates	102,776,051.56	9,130,160.92	139,273,973.16
Fair value of equity investments in associates where there is quoted price	N/A	N/A	N/A
Operating income	559,025,650.75	344,935.79	29,233,229.02
Net profit	22,608,853.60	-707,452.88	311,243,456.65
Net profit from discontinued operations			

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Other comprehensive income			
Total comprehensive income	22,608,853.60	-707,452.88	311,243,456.65
Dividends received from joint ventures in the current year			5,280,000.00

(Continued)

	Opening balance / Amount for the prior year		
	Linde Gas (Yantai) Co., Ltd.	Yantai Bulk Commodity Exchange Center	Yantai Wanhua Chlor-Alkali Co., Ltd.
Current assets	163,743,832.20	36,140,716.21	54,300,712.45
Non-current assets	1,154,709,731.89	10,949,595.96	609,821,946.79
Total assets	1,318,453,564.09	47,090,312.17	664,122,659.24
Current liabilities	93,191,236.18	732,054.70	31,415,820.07
Non-current liabilities	301,441,277.87		221,180,430.00
Total liabilities	394,632,514.05	732,054.70	252,596,250.07
Minority interests			
Equity attributable to equity holders of the Company	923,821,050.04	46,358,257.47	411,526,409.17
Share of net asset calculated by share-holding proportion	92,382,105.00	9,271,651.49	82,305,281.83
Adjustments			
--Goodwill			
--Unearned profits from internal trans-actions			
--Others			

Book value of equity investment in associates	92,382,105.00	9,271,651.49	82,305,281.83
Fair value of equity investments in associates where there is quoted price	N/A	N/A	N/A
Operating income	552,479,643.09	337,427.69	32,638,983.67
Net profit	22,702,954.45	-697,821.91	101,908,378.32
Net profit from discontinued operations			
Other comprehensive income			
Total comprehensive income	22,702,954.45	-697,821.91	101,908,378.32
Dividends received from joint ventures in the current year			5,280,000.00

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The Parent of the Company

The Company's ultimate controlling party is Yantai SASAC. The proportion of shares held by the controlling shareholder is 100% and the proportion of voting rights is 100%.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VII. 1.

3. Associates and joint ventures of the Company

Please refer to Note VII. 2 for significant associates and joint ventures of the

Company.

Details of joint ventures or associates having related party transactions with the Company during the period, or balances with the Company during the prior period:

Name of joint ventures or associates	Relationship with the Company
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Joint venture of subsidiary
Ningbo Xiebei Thermal Power Co., Ltd.	Joint venture of sub-subsidiary
Yantai Tayho Engineering Materials Co., Ltd.	Joint venture of subsidiary
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Joint venture of sub-subsidiary
COFCO Barrel Production (Yantai) Co., Ltd.	Joint venture of subsidiary
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of sub-subsidiary
Linde Gas (Yantai) Co., Ltd.	Associate of subsidiary
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Associate of subsidiary
Wanhua EnergySav Science & Technology Group Co., Ltd.	Associate of subsidiary
Cabero Heat Exchanger Yantai Co., Ltd.	Associate of sub-subsidiary
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Associate of sub-subsidiary
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	Associate of sub-subsidiary
Linyi Smart New Energy Technology Co., Ltd.	Associate of sub-subsidiary
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Associate of sub-subsidiary
Wanhua Hexiang Eco-Technology Co., Ltd.	Associate of subsidiary

4. Other related parties

Other related parties	Relationship between other related parties and the Group
Wanhua Ecoboard (Xinyang) Co., Ltd.	Company where a nature person associated with the

	Company acts as a director
Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Company where a nature person associated with the Company acts as a director
Yantai Wanhua Micro Fibre Co., Ltd.	Subsidiary's invested company
Yantai Wanhua Chengda Chemical Co., Ltd.	Subsidiary of sub-subsidiary's associate
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua Building Technology Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua New Materials Co., Ltd.	Subsidiary of subsidiary's associate
Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	Subsidiary of subsidiary's associate
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Subsidiary of subsidiary's associate
Yantai Huali Thermoelectricity Supply Co., Ltd.	Subsidiary of subsidiary's associate
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Controlled by an executive of sub-subsidiary
Shenhua Heat Exchanger Equipment (Linyi) Co., Ltd.	Controlled by an executive of sub-subsidiary
Beijing Electrical Controller Intelligent Energy Co., Ltd.	Associate of sub-subsidiary
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Controlled by an associate of sub-subsidiary
Linyi Dalin Foodstuffs Co., Ltd.	Shareholder of sub-subsidiary
Japan's Ishikawa Sealing Gasket Co., Ltd.	Shareholder of subsidiary

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services:

1) Purchase of goods / receipt of services:

Related party	Types of related party transaction	Amount for the current year	Amount for the prior year
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Receipt of services	222,119,190.93	211,370,076.21
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of materials / Receipt of services	2,834,345.16	2,189,460.68
Yantai Huali Thermoelectricity Supply Co., Ltd.	Purchase of materials / Receipt of services	11,204,628.47	10,325,551.18
Linde Gas (Yantai) Co., Ltd.	Purchase of materials	397,071,136.18	366,160,716.88
Ningbo Xiebei Thermal Power Co., Ltd.	Purchase of materials / Receipt of services	93,491,289.00	66,222,588.67
Yantai Tayho Engineering Materials Co., Ltd.	Purchase of oiling agent	12,458,518.48	16,082,519.81
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Receipt of maintenance services	1,406,015.31	399,642.52
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Purchase of goods	26,958,185.32	3,858,877.36
Linyi Smart New Energy Technology Co., Ltd.	Purchase of goods	1,415,929.20	215,517.25
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Purchase of goods	80,371.68	60,821.48
Cabero Heat Exchanger Yantai Co., Ltd.	Purchase of goods	45,442,883.35	35,090,564.94
Japan's Ishikawa Sealing Gasket Co., Ltd.	Purchase of goods	1,263,598.63	1,905,836.20
Japan's Ishikawa Sealing Gasket Co., Ltd.	Receipt of services	159,405.69	222,298.74

2) Sales of goods / provision of services:

Related party	Types of related party transaction	Amount for the current year	Amount for the prior year
COFCO Barrel Production (Yantai) Co., Ltd.	Sales of goods / Provision of services	3,236,428.80	
Wanhua EnergySav Science & Technology Group Co., Ltd.	Sales of goods / Provision of services	136,662,322.00	
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Sales of goods / Provision of services	14,408,258.87	
Wanhua Building Technology Co., Ltd.	Sales of goods / Provision of services	41,472.35	
Wanhua New Materials Co., Ltd.	Sales of goods / Provision of services	3,935,707.97	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Yantai Wanhua Chengda Chemical Co., Ltd.	Sales of goods / Provision of services	186,368.72	
Wanhua Ecoboard (Xinyang) Co., Ltd.	Sales of goods / Provision of services		1,504,686.72
Wanhua Hexiang Eco-Technology Co., Ltd.	Sales of goods / Provision of services		461,743.36
Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Sales of goods / Provision of services	46,473,890.12	1,875,730.97
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Sales of goods / Provision of services	64,574,307.14	31,534,552.65
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Sales of goods / Provision of services	19,487,627.06	508,849.56
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Sales of goods / Provision of services	46,265,659.28	243,362.83
Wanhua Eco-technology (Yantai) Co., Ltd.	Sales of goods / Provision of services	442,565,366.58	328,346,232.92
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Sales of goods / Provision of services	1,532,962.54	1,339,385.99
Linde Gas (Yantai) Co., Ltd.	Sales of goods / Provision of services	407,261,186.24	362,682,272.92
Ningbo Xiebei Thermal Power Co., Ltd.	Sales of goods / Provision of services	359,283,576.37	347,406,075.86
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods / Provision of services	20,645.58	1,283,813.40
Yantai Tayho Engineering Materials Co., Ltd.	Sales of goods	796,386.59	406,104.81
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Sales of goods	2,849.55	
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Sales of goods	36,281.68	19,535.10
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Sales of goods	10,829,293.67	37,922,498.89
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Sales of goods / Provision of services	656,376.13	1,397,518.14
Cabero Heat Exchanger Yantai Co., Ltd.	Sales of goods / Provision of services	64,578.79	
Linyi Smart New Energy Technology Co., Ltd.	Sales of goods / Provision of services	626,434.62	864,655.18
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Sales of goods		289,372.22
Linyi Dalin Foodstuffs Co., Ltd.	Sales of goods	4,173,678.5	
Japan's Ishikawa Sealing Gasket Co., Ltd.	Sales of goods	1,281,602.96	1,127,125.14

Description of related party transactions related to purchase and sales of goods, provision and receipt of services:

The pricing of the transactions is in accordance with the general service agreements, product purchase and sales contracts and other supplementary agreement signed between the Company and the related companies. The Company enters into arm's length transactions with the related parties based on the principles of equality, voluntariness, equivalence.

(2) Leases with related parties:

Operating leases where the Company is the lessor:

Name of lessee	Type of leased assets	Leasing income recognised in the current year	Leasing income recognised in the prior year
Linde Gas (Yantai) Co., Ltd.	Land	4,626,586.80	1,216,131.00
Ningbo Xiebei Thermal Power Co., Ltd.	Buildings, land and pipe rack	1,110,761.63	876,140.50
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Buildings	117,632.60	223,116.80
Yantai Tayho Engineering Materials Co., Ltd.	Buildings	753,308.32	765,938.28
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Lease of some office buildings	156,140.37	278,139.14

Operating leases where the Company is the lessee:

Name of lessor	Type of leased assets	Leasing expense recognised in the current year	Leasing expense recognised in the prior year
Yantai Wanhua Chlor-Alkali Co., Ltd.	Warehouse		136,368.28
Ningbo Xiebei Thermal Power Co., Ltd.	Pipe rack	4,837.71	5,273.10

(3) Guarantees by related parties:

The Company as a guarantor:

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	17,500,000.00	29 April 2016	28 April 2021	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	80,000,000.00	4 April 2018	3 April 2025	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	38,520,646.55	30 December 2018	18 December 2026	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	250,000,000.00	9 April 2019	8 April 2027	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	110,295,000.00	20 May 2019	19 May 2020	No
Wanhua Industry	Wanhua EnergySav Science & Technology Group Co., Ltd.	40,000,000.00	25 December 2015	25 December 2030	No
Wanhua Industry	Wanhua EnergySav Science & Technology Group Co., Ltd.	62,500,000.00	29 April 2019	28 April 2022	No
Wanhua Synthetic Leather	Yantai State-owned Assets Operation Co., Ltd. (Note 2)	60,000,000.00	24 June 2020	23 June 2022	No

Note 1: Yantai Harbor Wanhua Industrial Park Port Co., Ltd., all with its assets, provides counter-guarantee for Wanhua Chemical, undertaking joint and several liability. This counter-guarantee equals the total guaranteed amount of Wanhua Chemical.

Note 2: Yantai State-owned Assets Operation Co., Ltd. with its six-floor plants (property right certificate No.: Yan Fang Quan Zhi Zi No.353310), located at No.28 Xingfu Middle Road, Zhifu District, provides counter-guarantee for Wanhua

Synthetic Leather.

(4) Borrowings / loans with related parties:

Related Party	Amount of borrowing / loan	Inception date of borrowings	Expiration date	Notes
Lend to				
Yantai Wanhua Micro Fibre Co., Ltd.	20,000,000.00	30 March 2018	19 March 2019	Annual interest rate of 4.6915%; The borrowing was expired but not yet paid due to fund shortage of the related party
Yantai Wanhua Micro Fibre Co., Ltd.	20,000,000.00	25 September 2018	30 September 2018	Annual interest rate of 4.6915%; The borrowing was expired but not yet paid due to fund shortage of the related party
Yantai Wanhua Micro Fibre Co., Ltd.	49,919,467.92	27 April 2018	21 June 2019	Entrusted loan with an annual interest rate of 4.9466%; The borrowing was overdue but not yet paid due to fund shortage of the related party
Wanhua Hexiang Eco-Technology Co., Ltd.	301,000,000.00	26 April 2019	21 September 2026	Entrusted loan with an annual interest rate of 4.90%

(5) Assets transfer / debt restructuring with related parties:

Related Party	Contents of related transactions	Amount for the current year	Amount for the prior year
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of fixed assets		7,118,717.37

(6) Other related party transactions:

Related Party	Contents of related transactions	Amount for the current year	Amount for the prior year
Wanhua Hexiang Eco-Technology Co., Ltd.	Interest income of entrusted loans	14,643,650.01	10,071,194.98
Yantai Wanhua Micro Fibre Co., Ltd.	Interest income from loans and entrusted loans		1,820,234.50
Yantai Tayho Engineering	Comprehensive services	397,333.76	392,721.36

Materials Co., Ltd.	provided by the Company		
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6. Amounts due from / to related parties

(1) Amounts due from related parties:

Item	Related party	Closing book balance	Opening book balance
Accounts receivable	Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	160,100.00	
Accounts receivable	Wanhua Building Technology Co., Ltd.	24,243.75	
Accounts receivable	Yantai Wanhua Chlor-Alkali Co., Ltd.	551,025.00	527,695.50
Accounts receivable	Ningbo Xiebei Thermal Power Co., Ltd.	55,707,912.48	15,372,310.48
Accounts receivable	Yantai Tayho Engineering Materials Co., Ltd.	156,080.70	248,716.40
Accounts receivable	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	1,587,601.58	11,744,949.27
Accounts receivable	Jinan Shenhua Refrigeration Equipment Co., Ltd.		344.00
Accounts receivable	Linyi Smart New Energy Technology Co., Ltd.		405,100.00
Accounts receivable	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.		31,000.00
Accounts receivable	Japan's Ishikawa Sealing Gasket Co., Ltd.	274,025.33	426,524.53
Notes receivable	Yantai Tayho Engineering Materials Co., Ltd.	57,630.00	337,609.20
Prepayments	Linde Gas (Yantai) Co., Ltd.		791,833.79
Prepayments	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	4,040,328.00	5,852,070.00
Prepayments	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	1,057,520.00	
Prepayments	Jinan Shenhua Refrigeration Equipment Co., Ltd.	7,280.00	
Contract assets	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	42,500.00	
Dividend receivable	Ningbo Xiebei Thermal Power Co., Ltd.	26,950,000.00	
Interest receivable	Wanhua Hexiang Eco-Technology Co., Ltd.	26,695,408.62	26,623,629.26

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Other receivables	Yantai Wanhua Micro Fibre Co., Ltd.	91,691,871.92	91,691,871.92
Other current assets	Wanhua Hexiang Eco-Technology Co., Ltd.	279,500,000.00	301,000,000.00

(2) Amounts due to related parties:

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Linde Gas (Yantai) Co., Ltd.	11,749,786.70	7,418,234.53
Accounts payable	Yantai Huali Thermoelectricity Supply Co., Ltd.	986,460.91	1,830,530.68
Accounts payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	50,353,977.94	13,563,692.19
Accounts payable	COFCO Barrel Production (Yantai) Co., Ltd.	6,514,770.86	
Accounts payable	Wanhua Building Technology Co., Ltd.	515,308.00	
Accounts payable	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	380,691.89	
Accounts payable	Yantai Tayho Engineering Materials Co., Ltd.	4,718,864.00	4,640,744.65
Accounts payable	Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	483,479.00	208,191.89
Accounts payable	Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	107,500.00	107,500.00
Accounts payable	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	39,277.22	
Accounts payable	Shenhua Heat Exchanger Equipment (Linyi) Co., Ltd.	188,840.72	
Accounts payable	Cabero Heat Exchanger Yantai Co., Ltd.	7,530,661.81	2,816,635.87
Accounts payable	Jinan Shenhua Refrigeration Equipment Co., Ltd.	477.87	
Accounts payable	Linyi Smart New Energy Technology Co., Ltd.		300,000.00
Accounts payable	Yantai Hyundai MOON Heavy Industry Co., Ltd.		26,548.67
Accounts payable	Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	2,330,357.62	
Accounts payable	Beijing Electrical Controller Intelligent Energy Co., Ltd.	1,455,683.55	
Accounts payable	Japan's Ishikawa Sealing Gasket Co., Ltd.	134,309.91	444,678.24
Notes payable	Jinan Shenhua Refrigeration Equipment	961,500.00	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

	Co., Ltd.		
Notes payable	Cabero Heat Exchanger Yantai Co., Ltd.	37,529,608.00	
Contract liabilities	Yantai Wanhua Chengda Chemical Co., Ltd.	796,821.84	
Contract liabilities	Wanhua Eco-technology (Yantai) Co., Ltd.	21,035,408.66	
Contract liabilities	Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	1,016,203.30	
Contract liabilities	Wanhua EnergySav Science & Technology Group Co., Ltd.	82,782.57	
Contract liabilities	Linyi Dalin Foodstuffs Co., Ltd.	186,055.97	
Contract liabilities	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	39,823.01	
Contract liabilities	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	192,595.58	
Contract liabilities	Cabero Heat Exchanger Yantai Co., Ltd.	63,818.74	
Contract liabilities	Yantai Hyundai MOON Heavy Industry Co., Ltd.	1,549,831.86	
Receipts in advance	Cabero Heat Exchanger Yantai Co., Ltd.		72,115.18
Receipts in advance	Yantai Hyundai MOON Heavy Industry Co., Ltd.		1,593,391.00
Receipts in advance	Qingdao Daneng Environmental Protection Equipment Co., Ltd.		725,000.00
Other payables	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	12,950.00	
Other payables	Wanhua Building Technology Co., Ltd.	17,900.00	
Other payables	Yantai Wanhua EnergySav Engineering Technology Co., Ltd.	3,850.00	
Other payables	Linde Gas (Yantai) Co., Ltd.	85,050.00	4,100.00
Other payables	Yantai Wanhua Chlor-Alkali Co., Ltd.	1,640.00	
Other payables	Ningbo Xiebei Thermal Power Co., Ltd.		1,000,000.00
Other payables	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	50.00	
Other payables	Yantai Wanhua Micro Fibre Co., Ltd.		2,040.00
Other current liabilities	Linyi Dalin Foodstuffs Co., Ltd.	24,187.28	
Other current liabilities	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	5,176.99	
Other current liabilities	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	25,037.42	

Other current liabilities	Cabero Heat Exchanger Yantai Co., Ltd.	8,296.44
Other current liabilities	Yantai Hyundai MOON Heavy Industry Co., Ltd.	201,478.14

IX. COMMITMENTS OR CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000		
	Closing balance	Opening balance
Commitment for acquisition and construction of long-term assets	16,798,289	13,829,614
External investment commitment		7,543
Total	16,798,289	13,837,157

(2) Operating lease commitments

As at the balance sheet date, the Company had the following commitments in respect of non-cancellable operating leases:

Unit: RMB'000		
	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	59,739	53,413
2nd year subsequent to the balance sheet date	43,202	41,545
3rd year subsequent to the balance sheet date	10,057	34,840
4th (or more) year subsequent to the balance sheet date	58,815	32,775
Total	171,813	162,573

(3) Other commitments

As at the balance sheet date, there were no other commitments of the Company that

need to be disclosed.

2. Contingencies

(1) Guofeng Group provided guarantee to Yantai International Airport Group Co., Ltd. and Yantai Chaoshui Airport Construction Engineering Co., Ltd. for the rental cost of RMB 800 million, which is payable to Dao Sheng International Financial Leasing Co., Ltd. (hereinafter referred to as "Dao Sheng International"). The guarantee period is from 6 January 2016 to 6 January 2024. Meanwhile, Guofeng Group provides pledge guarantee for the rental cost of RMB 800 million, and pledge its 6 million shares of Yantai Changyu Group Co., Ltd. (accounting for 12% of the total shares of Yantai Changyu Group Co., Ltd.) to Dao Sheng International. In March 2016, the assignor Dao Sheng International and the assignee ABC Financial Leasing Co., Ltd. (hereinafter referred to as "ABC Finance") signed the Assignment Agreement of Leased Assets and Rental Interest Receivable (hereinafter referred to as "Assignment Agreement") with agreement number of ABC Lease Jin Zhuan Zi No.2016002. According to the Assignment Agreement, Dao Sheng International has transferred the ownership of lease receivables and other related rights, security interests and lease items under the main contract to ABC Finance on 31 March 2016.

(2) Wanhua Chemical provided guarantee to Yantai Harbor Wanhua Industrial Park Port Co., Ltd. for no more than RMB 692.27 million borrowings and bears joint liability for repayment, the maturity date of the borrowing is 8 April 2027. Meanwhile, these guarantees are offered counter guarantee by Yantai Harbor Wanhua Industrial Park Port Co., Ltd. As at 31 December 2020, there was no significant guarantee liability.

(3) Wanhua Industry's subsidiary, Shanxi Tianrun Coal Chemical Group Detong Coal Co., Ltd. (hereinafter referred to as "Detong Coal") owes RMB 52 million for the acquisition of Shijiagou Coal Mine. On 11 August 2016, Detong Coal signed an agreement with Gao Shanhu, the former owner of Shijiagou Coal Mine, agreed as

follows: Detong Coal would pay the money directly to Gao Shanhu. If the entity stops production for more than 10 days during the repayment period, the later repayment time would be twice as long as the shutdown time. Detong Coal stopped production on 17 August 2017 and resumed production on 20 November 2018. According to the agreement, the repayment time is 18 March 2020. Later, in order to resolve the contradiction between the two sides, Detong Coal promised to repay RMB 1.5 million by the end of August 2019, and to repay RMB 1.5 million by 20 September. It would make normal repayment from the first quarter of 2020. The above RMB 3 million has been paid this year. Besides, Gao Shanhu owes Li Feike RMB 7 million due to the coal mine investment dispute. Gao Shanhu has paid RMB 23,051,305.00 this year, and the remaining debt is RMB 25,948,695.00. Li Feike filed a lawsuit to the People's Court of Xiangning County of Shanxi Province on 16 September 2019, asking Detong Coal to pay RMB 7 million and corresponding interest. On 19 December 2019, the People's Court of Xiangning County gave first-instance judgment and rejected Li Feike's claim. However, Li Feike was not satisfied with the civil judgment of (2019) Jin 1029 Min Chu No.807 of the People's Court of Xiangning County, and lodged an appeal to the intermediate people's court of Linfen of Shanxi Province. The intermediate people's court of Linfen of Shanxi Province made the following verdict: (a) repeal the civil judgement of (2019) Jin 1029 Min Chu No.807 of the People's Court of Xiangning County of Shanxi Province; (b) The lawsuit was remanded to the people's Court of Xiangning County, Shanxi Province for retrial.

(4) Wanhua Synthetic Leather provided guarantee for borrowings of RMB 60 million to Yantai State-owned Assets Operation Co., Ltd. The borrowings are provided by Qishan Branch of Yantai Bank. The guarantee period is from 24 June 2020 to 24 June 2021. Meanwhile, Yantai State-owned Assets Operation Co., Ltd. with its six-floor plants (property right certificate No.: Yan Fang Quan Zheng Zhi Zi No.353310), located at No.28 Xingfu Middle Road, Zhifu District, provides counter-guarantee for Wanhua Synthetic Leather.

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non-adjusting event

There was no significant non-adjusting event after the balance sheet date.

2. Profit appropriation

There was no profit appropriation after the balance sheet date.

3. Sales return

There was no sales return after the balance sheet date.

4. Description of other events after the balance sheet date

There was no description of other events after the balance sheet date.

XI. OTHER SIGNIFICANT EVENT

There was no other significant event during the reporting period.

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		14,040,000.00
Other receivables	9,296,019,778.20	6,807,908,696.13
Total	9,296,019,778.20	6,821,948,696.13

(1) Dividends receivable

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Item	Closing balance	Opening balance
Yantai Mingsiang Holdings Co., Ltd.		14,040,000.00
Total		14,040,000.00

(2) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	4,355,385,761.81
1 to 2 years	1,532,573,246.22
2 to 3 years	630,573,466.83
3 to 4 years	72,091,238.34
4 to 5 years	
Over 5 years	2,705,396,065.00
Total	9,296,019,778.20

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	9,295,904,648.47	6,807,902,696.13
Petty cash	108,429.73	6,000.00
Deposits	6,700.00	
Total	9,296,019,778.20	6,807,908,696.13

3) There was no provision for bad debt in the period.

4) There were no write-off of other receivables in the reporting period.

5) Top 5 other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Company 29	Loans	3,888,060,000.00	Within 1 year	41.82	
Company 9	Current accounts	2,700,027,465.00	Over 5 years	29.04	
Company 10	Current accounts	1,500,000,000.00	1 to 2 years	16.14	
Company 11	Current accounts	650,628,183.47	2 to 3 years	7.00	
Company 30	Current accounts	411,160,000.00	Within 1 year	4.42	
Total		9,149,875,648.47		98.43	

- 6) There were no other receivables related to government grants.
- 7) There were no other receivables derecognised due to the transfer of financial assets.
- 8) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

2. Long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Investments in subsidiaries	12,889,879,003.90		12,889,879,003.90	10,463,408,709.50		10,463,408,709.50
Investment in associates	142,205,230.39		142,205,230.39	209,260,574.14		209,260,574.14
Total	13,032,084,234.29		13,032,084,234.29	10,672,669,283.64		10,672,669,283.64

(1) Investments in subsidiaries:

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment loss	Closing balance for impairment losses
Wanhua Industrial Group Co., Ltd.	1,925,802,652.34			1,925,802,652.34		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Shandong Yulong Petrochemical Industrial Park Development Co., Ltd.		1,200,000,000.00		1,200,000,000.00		
Wanhua Chemical Group Co., Ltd.	5,759,493,168.96			5,759,493,168.96		
Yantai Moon Holding Co., Ltd.		226,992,362.52		226,992,362.52		
Yantai Moon Investment Co., Ltd.		209,531,411.56		209,531,411.56		
Yantai Moon Group Co., Ltd.	533,320,291.18		436,523,774.08	96,796,517.10		
Yantai Tayho Advanced Materials Group Co., Ltd.	451,634,564.08		451,634,564.08			
Oriental Aerospace Port (Haiyang) Industrial Park Development Co., Ltd.		255,000,000.00		255,000,000.00		
Yantai Guofeng Xinyao Supply Chain Management Co., Ltd.		9,000,000.00	9,000,000.00			
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	10,000,000.00			10,000,000.00		
Yantai Guotai Chengfeng	30,000,000.00	500,000,000.00		530,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

Asset Management Co., Ltd.					
Yantai Guofeng Junhe Trading Co., Ltd.		255,000,000.00		255,000,000.00	
Yantai Guofeng Jiaoyun Energy Development Co., Ltd.		5,100,000.00		5,100,000.00	
Yantai Tayho Advanced Materials Co., Ltd.		561,004,858.48		561,004,858.48	
Yantai Guoyuan Financial Leasing Co., Ltd.		102,000,000.00		102,000,000.00	
Yantai Guosheng Investment Holding Co., Ltd.	812,021,373.90			812,021,373.90	
Yantai Wanhua Synthetic Leather Group Co., Ltd.	828,896,917.87			828,896,917.87	
Yantai Mingxiang Holdings Co., Ltd.	112,239,741.17			112,239,741.17	
Total	10,463,408,709.50	3,323,628,632.56	897,158,338.16	12,889,879,003.90	

(2) Investment in associates and joint ventures:

Investee	Opening balance	Movement of the current year
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

		Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement
I. Joint Ventures						
Sub-total						
II. Associates						
Yantai Polaris Co., Ltd.	2,163,153.51			-910,908.59		-3,434.97
JCC Guoxing (Yantai) Copper Co., Ltd.	169,943,261.93		169,943,261.93			
Yantai Guotai Ruifeng Investment Co., Ltd.	406,453.16		406,453.16			
Yantai Guoxin Ruifeng Assets Management Co., Ltd.	36,747,705.54			3,209,947.56		
Shandong Yantai Dengying Assets Management Co., Ltd.		102,000,000.00		-1,001,232.66		
Sub-total	209,260,574.14	102,000,000.00	170,349,715.09	1,297,806.31		-3,434.97
Total	209,260,574.14	102,000,000.00	170,349,715.09	1,297,806.31		-3,434.97

(Continued)

Investee	Movement of the current year			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
I. Joint Ventures					
Sub-total					
II. Associates					
Yantai Polaris Co., Ltd.				1,248,809.95	

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2020

JCC Guoxing (Yantai) Copper Co., Ltd.				
Yantai Guotai Ruitong Investment Co., Ltd.				
Yantai Guoxin Ruitong Assets Management Co., Ltd.			39,957,653.10	
Shandong Yantai Dengying Assets Management Co., Ltd.			100,998,767.34	
Sub-total			142,205,230.39	
Total			142,205,230.39	

3. Investment income

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	881,762,434.33	1,421,569,308.00
Income from long-term equity investments under equity method	1,297,806.31	3,344,301.08
Investment income from available-for-sale financial assets during holding period	29,056,883.33	30,208,400.00
Investment income from financial products	42,973,970.80	21,377,285.93
Investment income from financial assets measured at fair value through current profit or loss during holding period		107,979.05
Gains on disposal of long-term equity investments	1,455,918.80	-500,000.00
Total	956,547,013.57	1,476,107,274.06

Yantai Guofeng Investment Holdings Group Co., Ltd.



26 April 2021

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AUDITOR'S REPORT

Tianyuanquan Shen Zi [2020] No.000826

To Yantai Guofeng Investment Holdings Group Co., Ltd.

I. OPINION

We have audited the financial statements of Yantai Guofeng Investment Holdings Group Co., Ltd. (hereinafter referred to as "Guofeng Group"), which comprise the consolidated and the Company's statement of financial position as at 31 December 2019, the consolidated and the Company's statement of profit or loss and other comprehensive income, the consolidated and the Company's statement of cash flows and the consolidated and the Company's changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements attached are prepared and present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2019, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities

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in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. OTHER INFORMATION

Management of Guofeng Group is responsible for the other information. The other information comprises the information included in 2019 annual report of Guofeng Group, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Guofeng Group is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Guofeng Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Guofeng Group or to cease operations,

or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Guofeng Group's financial reporting process.

V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 of expressing an opinion on the effectiveness of the Group's 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 Guofeng Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Guofeng Group 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 Guofeng Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



Chinese Certified Public Accountant:

Jiang Ping



Chinese Certified Public Accountant:

Gao Luqian



Beijing, China

20 May 2020

Consolidated Statement of Financial Position

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	31 December 2019	31 December 2018
Current assets			
Cash and bank balances	V. 1	7,932,748,409.87	9,441,665,024.19
Financial assets held for trading	V. 2	962,909,325.86	
Financial assets at fair value through profit or loss	V. 3	1,701,807,448.91	173,352,010.33
Derivative financial assets	V. 4	58,694,405.00	108,787,119.90
Notes receivable	V. 5	969,070,259.82	10,400,356,013.14
Accounts receivable	V. 6	6,172,212,508.84	5,481,768,727.25
Receivables financing	V. 7	3,971,731,006.53	
Prepayments	V. 8	772,581,580.69	729,610,239.14
Other receivables	V. 9	6,369,297,270.38	4,659,793,570.27
Including: Interests receivable		82,312,644.19	74,181,482.31
Dividends receivable			
Inventories	V. 10	10,029,043,148.16	10,451,129,139.31
Held-for-sale assets	V. 11	11,217,184.31	
Non-current assets due within one year			
Other current assets	V. 12	1,580,231,497.59	1,889,826,527.34
Total current assets		40,531,544,045.96	43,336,288,370.87
Non-current assets			
Debt investments	V. 13	50,000.00	
Available-for-sale financial assets	V. 14	4,803,871,435.69	802,494,794.53
Other debt investments			
Held-to-maturity investments	V. 15		50,000.00
Long-term receivables	V. 16	1,082,415,075.46	951,882,086.07
Long-term equity investments	V. 17	1,344,229,465.99	1,188,486,002.35
Investments in other equity instruments	V. 18	340,045,046.69	
Other non-current financial assets	V. 19	484,642,567.63	
Investment properties	V. 20	273,888,264.15	269,002,317.90
Fixed assets	V. 21	41,544,879,916.35	39,843,622,992.13
Construction in progress	V. 22	24,922,813,448.13	11,676,555,250.25
Productive biological assets			
Oil and gas assets			
Intangible assets	V. 23	8,139,687,711.99	6,221,952,320.01
Development expenditure			
Goodwill	V. 24	2,167,564,139.31	2,160,079,673.35
Long-term prepaid expenses	V. 25	62,824,672.42	64,461,298.82
Deferred tax assets	V. 26	766,054,357.72	1,060,962,812.42
Other non-current assets	V. 27	3,210,130,986.30	5,452,295,889.16
Total non-current assets		89,143,097,087.83	69,691,845,436.99
TOTAL ASSETS		129,674,641,133.79	113,028,133,807.86

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

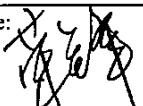
Consolidated Statement of Financial Position (Continued)

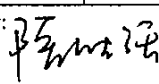
For the year ended 31 December 2019

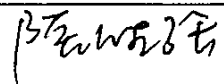
Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	V. 28	23,430,406,202.59	19,587,329,113.47
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss	V. 29		636,143.14
Derivative financial liabilities	V. 30	40,280,488.36	12,811,022.70
Notes payable	V. 31	9,237,591,021.55	4,758,983,531.49
Accounts payable	V. 32	9,565,556,996.34	6,957,780,121.28
Receipts in advance	V. 33	3,032,500,966.90	3,437,749,965.15
Employee benefits payable	V. 34	1,236,926,345.76	1,292,522,109.15
Taxes payable	V. 35	604,272,803.89	1,690,183,713.85
Other payables	V. 36	4,242,700,323.76	4,157,448,746.06
Including: Interest payable		141,373,729.73	155,492,803.60
Dividend payable		48,494,625.00	25,253,125.00
Held-for-sale liabilities			
Non-current liabilities due within one year	V. 37	3,554,929,366.56	5,975,588,712.33
Other current liabilities	V. 38		6,308,876.90
Total current liabilities		54,945,164,515.71	47,877,342,055.52
Non-current liabilities			
Long-term borrowings	V. 39	11,372,690,665.45	6,948,977,234.98
Bonds payable	V. 40	1,991,611,424.83	
Including: Preference shares			
Perpetual bonds			
Long-term payables	V. 41	961,033,858.67	885,052,365.40
Long-term employee benefits payable	V. 42	60,704,908.43	56,631,313.58
Provisions	V. 43	288,511,912.52	326,072,826.94
Deferred income	V. 44	1,115,349,030.06	1,100,768,517.15
Deferred tax liabilities	V. 26	498,586,931.69	895,174,492.66
Other non-current liabilities	V. 45	50,609.79	
Total non-current liabilities		16,288,539,341.44	10,212,676,750.71
TOTAL LIABILITIES		71,233,703,857.15	58,090,018,806.23
Shareholders' equity			
Paid-in capital (or Share capital)	V. 46	10,000,000,000.00	1,000,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	V. 47		3,729,943,919.95
Less: Treasury shares			
Other comprehensive income	V. 48	-32,577,155.68	-49,846,270.73
Special reserve	V. 49	8,937,751.17	4,405,304.28
Surplus reserve	V. 50	143,552,678.68	52,570,971.74
Undistributed profits	V. 51	4,504,822,040.87	9,293,981,200.27
Total equity attributable to equity holders of the Company		14,624,735,315.04	14,031,055,125.51
Minority interests		43,816,201,961.60	40,907,059,876.12
Total equity		58,440,937,276.64	54,938,115,001.63
TOTAL EQUITY AND LIABILITIES		129,674,641,133.79	113,028,133,807.86

Legal Representative: 

Chief Financial Officer: 

Head of the Finance Department: 

Statement of Financial Position of the Company

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

ASSETS	Note	31 December 2019	31 December 2018
Current assets			
Cash and bank balances		685,447,392.45	92,789,991.82
Financial assets held for trading			
Financial assets at fair value through profit or loss		1,382,567,621.45	53,409,858.04
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing			
Prepayments		163,000.00	
Other receivables	XII. 1	6,821,948,696.13	3,648,498,912.45
Including: Interests receivable			
Dividends receivable		14,040,000.00	7,800,000.00
Inventories			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		-	4,000,000.00
Total current assets		8,890,126,710.03	3,798,698,762.31
Non-current assets			
Debt investments			
Available-for-sale financial assets		4,475,195,202.07	45,195,202.07
Other debt investments			
Held-to-maturity investments		-	
Long-term receivables			
Long-term equity investments	XII. 2	10,672,669,283.64	9,244,009,835.58
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		638,441.24	124,339.90
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		1,993,250.00	
Development expenditure			
Goodwill			
Long-term prepaid expenses		772,792.37	
Deferred tax assets			
Other non-current assets			
Total non-current assets		15,151,268,969.32	9,289,329,377.55
TOTAL ASSETS		24,041,395,679.35	13,088,028,139.86

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Financial Position of the Company (Continued)

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings		2,599,863,622.86	
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		1,054,217.36	14,790.00
Receipts in advance			
Employee benefits payable		1,288,406.91	5,969.08
Taxes payable		1,182,002.72	204,545.70
Other payables		4,669,135,209.17	3,245,997,465.00
Including: Interest payable		46,546,864.44	
Dividend payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		7,272,523,459.02	3,246,222,769.78
Non-current liabilities			
Long-term borrowings		3,599,772,071.35	699,942,850.35
Bonds payable		1,991,611,424.83	
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,591,383,496.18	699,942,850.35
TOTAL LIABILITIES		12,863,906,955.20	3,946,165,620.13
Shareholders' equity			
Paid-in capital (or Share capital)		10,000,000,000.00	1,000,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		560,233,720.59	7,860,238,343.06
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		195,715,627.37	52,570,971.74
Undistributed profits		421,539,376.19	229,053,204.93
Total equity		11,177,488,724.15	9,141,862,519.73
TOTAL EQUITY AND LIABILITIES		24,041,395,679.35	13,088,028,139.86

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2019	Year ended 31/12/2018
I. Revenue		76,427,963,837.82	80,256,906,164.44
Including: Operating revenue	V. 52	76,427,963,837.82	80,256,906,164.44
II. Cost of sales		64,186,686,137.92	61,683,191,861.32
Including: Operating cost	V. 52	54,851,331,969.56	52,195,609,615.97
Taxes and surcharges	V. 53	731,066,025.67	976,089,237.67
Selling and distribution expenses	V. 54	3,422,888,384.88	3,059,109,295.05
General and administrative expenses	V. 55	2,044,398,742.09	2,422,749,019.51
Research and development expenses	V. 56	1,975,350,263.74	1,840,978,154.53
Financial expenses	V. 57	1,161,650,751.98	1,188,656,538.59
Including: Interest expenses		1,355,161,016.89	1,448,988,114.37
Interest income		248,921,413.68	161,809,805.68
Add: Other income	V. 58	1,021,529,993.83	1,187,630,027.15
Investment income (Losses are indicated by "-")	V. 59	319,789,088.57	209,317,644.60
Including: Investment income from investments in associates and joint ventures		85,937,188.58	111,488,717.98
Gains from derecognition of financial assets measured at amortised cost			
Income from net exposure hedging (Losses are indicated by "-")			
Gains from changes in fair values (Losses are indicated by "-")	V. 60	271,556,626.53	-5,665,806.96
Credit impairment losses (Losses are indicated by "-")	V. 61	-47,434,494.88	
Impairment losses of assets (Losses are indicated by "-")	V. 62	-608,457,235.75	-233,161,421.64
Gains on disposal of assets (Losses are indicated by "-")	V. 63	24,588,913.55	34,121,890.30
III. Operating Profit (Losses are indicated by "-")		13,222,850,591.75	19,765,956,636.57
Add: Non-operating income	V. 64	90,386,609.97	20,380,979.69
Less: Non-operating expenses	V. 65	135,015,633.41	450,965,357.68
IV. Profit Before Income Taxes (Losses are indicated by "-")		13,178,221,568.31	19,335,372,258.58
Less: Income tax expenses	V. 66	1,785,246,021.68	3,510,942,741.53
V. Net Profit (Net losses are indicated by "-")		11,392,975,546.63	15,824,429,517.05
(1) Classified by continuity of operations			
1. Net profit from continuing operations (Net losses are indicated by "-")		11,392,975,546.63	15,824,429,517.05
2. Net profit from discontinued operations (Net losses are indicated by "-")			
(2) Classified by ownership			
1. Net profit attributable to equity holders of the Company (Net losses are indicated by "-")		2,349,020,398.24	3,707,198,143.22
2. Net profit attributable to minority interests (Net losses are indicated by "-")		9,043,955,148.39	12,117,231,373.83
VI. Other Comprehensive Income, Net of Tax		24,458,226.80	-155,539,503.38
(1) Attributable to equity holders of the Company		7,334,853.13	-38,689,389.74
1. Items that will not be reclassified subsequently to profit or loss		10,202,167.08	-1,157,594.10
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans		-146,219.74	-1,157,594.10
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
(c) Changes in fair value of other equity instrument investments		10,348,386.82	
(d) Changes in fair value of the Company's own credit risks			
.....			
2. Items that may be reclassified subsequently to profit or loss		-2,867,313.95	-37,531,795.64
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss		42,026.76	-415,109.31
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Gains arising from changes in fair value of available-for-sale financial assets		528,568.75	-26,543,036.07
(e) Provision for credit impairment in other debt investments			
(f) Reserve for cash flow hedges		-9,582,204.69	-16,202,382.91
(g) Exchange differences on translation of foreign currency financial statements		6,144,295.23	5,628,732.65
(2) Attributable to minority interests		17,123,373.67	-116,850,113.64
VII. Total Comprehensive Income		11,417,433,773.43	15,668,890,013.67
(1) Attributable to equity holders of the Company		2,356,355,251.37	3,668,508,753.48
(2) Attributable to minority interests		9,061,078,522.06	12,000,381,260.19
VIII. Earnings per Share			
(1) Basic earnings per share (RMB/share)			
(2) Diluted earnings per share (RMB/share)			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Income Statement of the Company

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2019	Year ended 31/12/2018
I. Revenue		26,364,336.36	
Less: Operating cost			
Taxes and surcharges		847,762.64	1,882,618.23
Selling and distribution expenses			
General and administrative expenses		7,102,599.64	1,817,957.00
Research and development expenses			
Financial expenses		58,439,464.78	1,501,526.62
Including: Interest expenses		78,440,715.85	13,528,750.99
Interest income		20,091,753.77	12,033,320.37
Add: Other income			
Investment income (Losses are indicated by "-")	XII. 3	1,476,107,274.06	468,391,370.92
Including: Investment income from investments in associates and joint ventures		3,344,301.08	-531,724.74
Gains from derecognition of financial assets measured at amortised cost			
Income from net exposure hedging (Losses are indicated by "-")			
Gains from changes in fair values (Losses are indicated by "-")		-842,236.59	-1,727,664.80
Credit impairment losses			
Impairment losses of assets			
Gains on disposal of assets (Losses are indicated by "-")			
II. Operating Profit (Losses are indicated by "-")		1,435,239,546.77	461,461,604.27
Add: Non-operating income		287,240.00	
Less: Non-operating expenses			
III. Profit Before Income Taxes (Losses are indicated by "-")		1,435,526,786.77	461,461,604.27
Less: Income tax expenses			
IV. Net Profit (Net losses are indicated by "-")		1,435,526,786.77	461,461,604.27
1. Net profit from continuing operations (Net losses are indicated by "-")		1,435,526,786.77	461,461,604.27
2. Net profit from discontinued operations (Net losses are indicated by "-")			
V. Other Comprehensive Income, Net of Tax			
1. Items that will not be reclassified subsequently to profit or loss			
(a) Changes from remeasurement of net liabilities or assets from defined benefit plans			
(b) Other comprehensive income using the equity method which will not be reclassified subsequently to profit and loss			
(c) Changes in fair value of other equity instrument investments			
(d) Changes in fair value of the Company's own credit risks			
.....			
2. Items that may be reclassified subsequently to profit or loss			
(a) Other comprehensive income using the equity method which will be reclassified subsequently to profit or loss			
(b) Changes in fair value of other debt instrument investment			
(c) Other comprehensive income arising from the reclassification of financial assets			
(d) Provision for credit impairment in other debt investments			
(e) Reserve for cash flow hedges			
(f) Exchange differences on translation of foreign currency financial statements			
.....			
VI. Total Comprehensive Income		1,435,526,786.77	461,461,604.27
VII. Earnings per Share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Items	Note	Year ended 31/12/2019	Year ended 31/12/2018
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		97,197,601,443.83	99,801,935,685.08
Refund of taxes and surcharges		1,964,099,452.84	2,374,016,359.87
Cash receipts relating to other operating activities	V. 67	4,264,026,967.30	2,293,669,379.47
Sub-total cash inflows from operating activities		103,425,727,863.97	104,469,621,424.42
Cash payments for goods purchased and services received		59,445,689,477.91	62,218,124,952.34
Cash payments to and on behalf of employees		5,317,462,315.35	4,917,746,209.69
Payments of taxes and surcharges		5,321,346,065.10	8,423,484,790.83
Cash payments relating to other operating activities	V. 67	7,074,181,507.98	6,079,643,936.19
Sub-total cash outflows from operating activities		77,158,679,366.34	81,638,999,889.05
Net cash flows from operating activities		26,267,048,497.63	22,830,621,535.37
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		51,244,474,836.04	9,666,291,148.04
Cash receipts from returns on investments		354,784,303.75	204,543,165.53
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		93,743,046.06	65,570,876.24
Net cash received from disposals of subsidiaries and other business units		23,355.76	
Cash receipts relating to other investing activities	V. 67	221,133,156.68	160,790,555.00
Sub-total cash inflows from investing activities		51,914,158,698.29	10,097,195,744.81
Cash payments to acquire fixed assets, intangible assets and other long-term assets		18,802,103,004.25	11,128,797,895.02
Cash payments for investments		57,241,979,006.56	10,518,443,246.83
Net cash payments to acquire subsidiaries and other business units		690,544,335.14	200,000.00
Cash payments relating to other investing activities	V. 67	1,576,818,705.55	25,736,746.73
Sub-total cash outflows from investing activities		78,311,445,051.50	21,673,177,888.58
Net cash flows from investing activities		-26,397,286,353.21	-11,575,982,143.77
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		679,554,449.45	165,740,000.00
Including: Cash receipts from capital contributions from minority shareholders of subsidiaries		157,521,537.50	165,740,000.00
Cash receipts from borrowings		63,023,767,329.77	43,490,899,943.13
Cash receipts relating to other financing activities	V. 67	131,138,030.00	224,004,602.54
Sub-total cash inflows from financing activities		63,834,459,809.22	43,880,644,545.67
Cash repayments of borrowings		55,587,468,453.42	45,991,729,686.21
Cash payments for distribution of dividends or profit and interest expenses		8,269,999,950.38	5,005,816,394.82
Including: Dividends or profit paid to minority shareholders of subsidiaries		5,538,662,248.31	3,277,038,455.75
Cash payments relating to other financing activities	V. 67	436,311,306.09	2,139,447,540.43
Sub-total cash outflows from financing activities		64,293,779,709.89	53,136,993,621.46
Net cash flows from financing activities		-459,319,900.67	-9,256,349,075.79
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		5,421,814.39	57,611,941.65
V. Net Increase in Cash and Cash Equivalents		-584,135,941.86	2,055,902,257.46
Add: Cash and Cash Equivalents at the beginning of the period		8,298,204,636.44	6,242,302,378.98
VI. Cash and Cash Equivalents at the end of the period		7,714,068,694.58	8,298,204,636.44

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Cash Flows of the Company

For the Year ended 31 December 2019

Prepared by Yantai Guofeng Investment Holdings Group Co., Ltd.

Unit: RMB Yuan

Item	Note	Year ended 31/12/2019	Year ended 31/12/2018
I. Cash Flows from Operating Activities			
Cash receipts from the sale of goods and the rendering of services		140,000.00	
Refund of taxes and surcharges			
Cash receipts relating to other operating activities		3,404,522,490.63	310,186.56
Sub-total cash inflows from operating activities		3,404,662,490.63	310,186.56
Cash payments for goods purchased and services received			
Cash payments to and on behalf of employees		2,214,561.93	149,393.50
Payments of taxes and surcharges		1,566,655.79	2,328,952.93
Cash payments relating to other operating activities		3,761,938,062.10	1,872,686.87
Sub-total cash outflows from operating activities		3,765,719,279.82	4,351,033.30
Net cash flows from operating activities		-361,056,789.19	-4,040,846.74
II. Cash Flows from Investing Activities			
Cash received from disposal and redemption of investments		38,567,495,000.00	6,070,059,279.25
Cash receipts from returns on investments		1,415,162,221.06	460,378,304.66
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries and other business units			
Cash receipts relating to other investing activities		118,916,573.52	185,805,016.08
Sub-total cash inflows from investing activities		40,101,573,794.58	6,716,242,599.99
Cash payments to acquire fixed assets, intangible assets and other long-term assets		2,610,659.38	36,512.50
Cash payments for investments		44,072,895,000.00	6,286,825,584.09
Net cash payments to acquire subsidiaries and other business units			
Cash payments relating to other investing activities		1,509,751,300.00	735,002,850.35
Sub-total cash outflows from investing activities		45,585,256,959.38	7,021,864,946.94
Net cash flows from investing activities		-5,483,683,164.80	-305,622,346.95
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		20,000,000.00	
Cash receipts from borrowings		9,492,000,000.00	739,942,850.35
Cash receipts relating to other financing activities		232,300,000.00	
Sub-total cash inflows from financing activities		9,744,300,000.00	739,942,850.35
Cash repayments of borrowings		2,000,307,156.14	110,462,589.89
Cash payments for distribution of dividends or profit and interest expenses		1,126,274,491.06	255,075,816.59
Cash payments relating to other financing activities		180,320,998.18	
Sub-total cash outflows from financing activities		3,306,902,645.38	365,538,406.48
Net cash flows from financing activities		6,437,397,354.62	374,404,443.87
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V. Net Increase in Cash and Cash Equivalents		592,657,400.63	64,741,250.18
Add: Cash and Cash Equivalents at the beginning of the period		92,789,991.82	28,048,741.64
VI. Cash and Cash Equivalents at the end of the period		685,447,392.45	92,789,991.82

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Changes in Equity

Prepared by Yantai Guohua Investment Management Group Co., Ltd.

For the year ended 31 December 2019

Unit: RMB Yuan

	Amount for the current period											Total owners' equity	
	Attributable to equity holders of the Company												
	Paid-in capital (or share capital)	Preference shares	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal		Minority interests
			Perpetual bonds	Others									
I. Balance at 31 December 2018	9,000,000,000.00				3,729,943,919.95		-49,846,270.73	4,405,304.28	52,570,971.74	9,293,981,200.27	14,091,055,125.51	40,907,059,876.12	54,938,115,091.63
Add: Changes according to policies					-8,799,948.32		-19,638,307.97			98,891,678.51	70,493,422.22	240,933,047.74	311,446,469.96
Correction of prior period errors													-
Business combination													-
Others													-
II. Balance at 1 January 2019	1,000,000,000.00				3,721,183,971.63		-69,484,578.70	4,405,304.28	52,570,971.74	9,392,872,878.78	14,101,548,547.73	41,148,012,923.86	55,249,561,471.59
III. Changes for the Year	9,000,000,000.00				-3,721,183,971.63		36,907,423.02	4,532,446.89	90,981,706.94	-4,888,050,837.91	523,186,767.31	2,668,189,037.74	3,191,375,805.05
(i) Total other comprehensive income							7,334,833.13			2,349,020,398.24	2,356,355,251.37	9,961,078,522.06	11,417,433,773.43
(ii) Owners' contributions and reduction in capital													
1. Ordinary shares contributed by owners (shareholders)													
2. Capital contribution from holders of other equity instruments							29,572,569.89	30,146.81					
3. Share-based payment recognised in owners' equity													
4. Others							29,572,569.89	30,146.81					
(iii) Profit distribution													
1. Transfer to surplus reserve									143,552,678.68	-1,240,937,103.69	-1,097,284,425.01	-5,562,222,656.91	-6,659,504,081.92
2. Distributions to owners (shareholders)									143,552,678.68	-143,552,678.68			
3. Others													
(iv) Transfers within owners' equity	9,000,000,000.00				-2,962,866,565.18					-1,095,815,729.33	-1,095,815,729.33	-5,561,903,748.31	-6,657,719,477.64
1. Capitalisation of capital reserve (or share capital)	9,000,000,000.00				-2,962,866,565.18					-1,068,695.68	-1,468,695.68	-318,908.60	-1,787,604.28
2. Capitalisation of surplus reserve (or share capital)										-5,984,742,463.08	-5,984,742,463.08		
3. Loss offset by surplus reserve										-5,984,742,463.08			
4. Changes in defined benefit plan carried forward to retained earnings													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
(v) Special reserve													
1. Transfer to special reserve in the period											4,502,300.08	33,395,809.15	37,798,109.23
2. Amount utilized in the period											54,560,955.85	170,295,191.48	224,856,147.33
(vi) Others											-50,038,655.77	-136,999,362.33	-187,038,038.10
IV. Balance at 31 December 2019	10,000,000,000.00				37,277,492.25	0.00	-32,577,155.68	8,937,751.17	143,552,678.68	-4,504,822,040.87	14,024,735,315.04	-43,816,201,961.60	58,440,937,276.64

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Consolidated Statement of Changes in Equity

Prepared by Yantai Jiefang Investment Holdings Group Co., Ltd.

For the year ended 31 December 2019

Unit: RMB Yuan

	Amount for the prior period									
	Attributable to equity holders of the Company					Attributable to equity holders of the Company				
	Paid-in capital (or share capital)	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority interests
		Preference shares	Perpetual bonds	Others						
I. Balance at 1 January 2019	220,000,000.00					2,497,323,664.81	23,705,563.68	6,424,811.31	8,916,834,311.23	32,078,356,032.54
II. Changes in accounting policies, Add: Changes in accounting policies										
Correction of prior period errors										
Business combination of equity entities under common control										
Others										
III. Balance at 1 January 2018	220,000,000.00					2,497,323,664.81	23,705,563.68	6,424,811.31	8,916,834,311.23	32,078,356,032.54
IV. Changes for the Year	780,000,000.00					-777,363,652.38	-19,905,960.28	-46,146,160.43	3,400,827,408.00	7,996,703,677.02
(i) Total other comprehensive income										
(ii) Owners' contributions and reduction in capital										
1. Ordinary shares contributed by owners (shareholders)										
2. Capital contribution from holders of other equity instrument										
3. Share-based payment recognised in owners' equity										
4. Others										
(iii) Profit distribution										
1. Transfer to surplus reserve										
2. Distributions to owners (shareholders)										
3. Others										
(iv) Transfer within owners' equity	780,000,000.00					-780,000,000.00				
1. Capitalisation of capital reserve (or share capital)	780,000,000.00					-780,000,000.00				
2. Capitalisation of surplus reserve (or share capital)										
3. Loss offset by surplus reserve										
4. Changes in defined benefit plan carried forward to retained earnings										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
(v) Special reserve										
1. Transfer to special reserve in the period										
2. Amount utilized in the period										
(vi) Others										
IV. Balance at 31 December 2019	1,000,000,000.00					2,611,723.09	4,405,304.28	52,570,971.74	14,031,055,125.51	40,907,059,876.12

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Changes in Equity of the Company

Pingcheng Investment Holdings Group Co., Ltd.

For the year ended 31 December 2019

Unit: RMB Yuan

Item	Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at 31 December 2018	1,000,000,000.00				7,860,238,343.06				52,570,971.74	229,053,204.93	9,141,862,519.73
II. Changes for the Year											
(i) Total other comprehensive income											
(ii) Owners' contributions and reduction in capital					7,860,238,343.06				52,570,971.74	229,053,204.93	9,141,862,519.73
1. Ordinary shares contributed by owners (shareholders)											
2. Capital contribution from holders of other equity instruments					-7,300,004,622.47				143,144,655.63	192,486,171.26	2,035,626,204.42
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve					1,699,975,532.94						1,699,975,532.94
2. Distributions to owners (shareholders)					1,699,975,532.94						1,699,975,532.94
3. Others											
(iv) Transfers within owners' equity	9,000,000,000.00				-9,000,000,000.00						
1. Capitalisation of capital reserve (or share capital)	9,000,000,000.00				-9,000,000,000.00						
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period											
(vi) Others											
IV. Balance at 31 December 2019	10,000,000,000.00				560,233,720.59				195,715,627.37	421,539,376.19	11,177,488,724.15

Legal Representative:

Chief Financial Officer:

Head of the Finance Department:

Statement of Changes in Equity of the Company (Continued)

Prepared by Yangtze River Investment Holdings Group Co., Ltd.

For the year ended 31 December 2019

Unit: RMB Yuan

	Paid-in capital (or share capital)	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at 31 December 2017:	220,000,000.00				8,640,250,842.11				6,424,811.31	55,432,278.05	8,922,107,931.47
Add: Changes in accounting policies											
Corrections of errors											
Others											
II. Balance at 1 January 2018	220,000,000.00				8,640,250,842.11				6,424,811.31	55,432,278.05	8,922,107,931.47
III. Changes for the Year	780,000,000.00				-780,012,499.05				46,146,160.43	173,620,926.88	219,754,588.26
(i) Total other comprehensive income										461,461,604.27	461,461,604.27
(ii) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners (shareholders)											
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognised in owners' equity											
4. Others											
(iii) Profit distribution											
1. Transfer to surplus reserve									46,146,160.43	-287,840,677.39	-241,694,516.96
2. Distributions to owners (shareholders)									46,146,160.43	-46,146,160.43	
3. Others										-241,694,516.96	-241,694,516.96
(iv) Transfers within owners' equity	780,000,000.00				-780,000,000.00						
1. Capitalisation of capital reserve (or share capital)	780,000,000.00				-780,000,000.00						
2. Capitalisation of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(v) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilized in the period					-12,499.05						-12,499.05
(vi) Others											
IV. Balance at 31 December 2018	1,000,000,000.00				7,860,238,343.06				52,570,971.74	229,053,204.93	9,141,862,519.73

Legal Representative:

Chief Financial Officer:

Hend of the Finance Department:

Yantai Guofeng Investment Holdings Group Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2019

I. BASIC INFORMATION ABOUT THE COMPANY

1. General information of the Company

Yantai Guofeng Investment Holdings Group Co., Ltd. (hereinafter referred to as "Company", "The Company" or "Guofeng Company"), previously known as Yantai Guofeng Investment Holdings Co., Ltd. The registered capital is RMB 10 Billion. The registered address is No.267 Nandajie, Zhifu district, Yantai, Shandong Province, PRC. The Company mainly conduct the following businesses: Operation and management of the state-owned property right (equity interests) authorised by State-owned Assets Supervision and Administration Commission of Municipal Government (municipal SASAC); financing, investment, operation and management of government strategic investment and industrial investment and other projects; capital operation for state-owned property rights and equity interests (including acquisition, reorganisation and integration and transfer, etc) within the scope of authorisation; venture capital business; venture capital business on behalf of other venture capital enterprises and other institutions or individuals; rendering of venture capital management service for venture capital enterprises; participation in establishing venture capital enterprises and venture capital management and advisory institutions; investment and financing services; consulting business; other businesses authorised by the municipal SASAC; wholesale and retail of non-ferrous metals and mineral products, gold (spot), silver (spot), chemical products (excluding hazardous goods), battery materials (excluding hazardous chemicals); import and export of goods and technologies. (Business scope does not include national pre-approved projects and projects restricted by national industrial policies; projects that need to be approved according to law can be operated

only after being approved by relevant departments).

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of Yantai Government (hereinafter referred to as “Yantai SASAC”).

The financial statements of the Company have been approved for issue by the board of the directors on 20 May 2020.

2. Scope of consolidated financial statements

The scope of the Company’s consolidated financial statements in 2019 includes eleven first-tier subsidiaries. Details of the Company’s significant subsidiaries are set out in Note VII. INTERESTS IN OTHER ENTITIES. Compared with the previous year, the consolidation scope of the Company this year increased by seven subsidiaries and decreased by one subsidiary. For details, please refer to Note VI. CHANGES IN CONSOLIDATION SCOPE.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with *the Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance (the “MOF”) (decree No.33 of the MOF, revised decree No.76 of the MOF), and 42 specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant regulations (hereafter collectively referred to as “ASBEs”) promulgated and revised on or after 15 February 2006.

These financial statements also comply with the disclosure requirements of *Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15 – General Requirements for Financial Reports* issued by the China Securities Regulatory Commission (“CSRC”).

The Company adopts the accrual basis of accounting in accordance with the requirements of ASBEs. Except for certain financial instruments which are measured at fair value, the Company adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

2. Going concern

The Company has performed an assessment of the going concern for the following twelve months from the end of the reporting period and does not identify any significant doubtful matter on the going concern. As such, these financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with ASBEs

The financial statements of the Company have been prepared in accordance with ASBEs, and present truly and completely, the Company’s and consolidated financial position as of 31 December 2019, and the Company’s and consolidated results of operations, changes in equity and cash flows for the year then ended.

2. Accounting period

The accounting year of the Company is from 1 January to 31 December of each calendar year.

3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realisation of those assets in cash or cash equivalents. The Company adopts 12 months of an operating cycle as the criteria for determining liquidity of assets and liabilities.

4. Functional currency

The Company and its domestic subsidiaries reporting and presentation currency is Renminbi ("RMB"). The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The Company adopts RMB to present its financial statements.

5. Accounting treatment of business combination involving entities under common control and not under common control

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

(1) Business combination 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 combination, and that control is not transitory.

Assets and liabilities that are obtained in a business combination involving entities under common control shall be measured on the basis of their book value in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the book value of the net assets and the book value of the consideration paid for the combination (or the aggregate face value of shares issued as

consideration) shall be adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Various direct expenses incurred for business combination are recognised in profit or loss when they are incurred.

(2) Business combination involving entities not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity instruments issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. For a business combination not involving entities under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. Where the acquirer's previously held interest in the acquire before the acquisition date is remeasured at fair value at the acquisition date, with any difference between fair value and book value included in investment income for the current period. If other comprehensive income was recognised regarding the equity interest previously held in the acquiree before the acquisition date, the relevant other comprehensive income is transferred to investment income in the period in which the acquisition occurs.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the

acquirer in a business combination, that meet the recognition criteria, shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of the combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination. If after that reassessment, the cost of the combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. Goodwill is tested for impairment at least at the end of each year.

6. Method for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee, exposure or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Subsidiaries shall refer to the main bodies controlled by the Company.

No matter when the business combination occurs during the reporting period, subsidiaries and businesses acquired through a business combination involving entities under common control regarded as the same as they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. The opening balances and the comparative figures of the consolidated balance sheet shall be restated. The operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income

statement and consolidated statement of cash flows, as appropriate.

For a subsidiary and business acquired through a business combination involving entities not under common control, the operation results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows. The opening balance and the comparative figures of the consolidated financial statements are not adjusted.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. If not, adjustments shall be made in accordance with the uniform accounting policies and accounting periods of the Company.

All significant intra-group balances and transactions between the company and subsidiaries and between subsidiaries are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

The portion of total comprehensive income of subsidiaries for the period attributable to minority shareholders is presented as "total comprehensive income attributable to minority interests" in the consolidated income statement below the "total comprehensive income" line item.

When the amount of loss for the period attributable to the minority shareholders of a

subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amounts are still deducted from minority interests.

Acquisition of minority or disposal of an interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The book value of the equity holders of the Company and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests is adjusted and the fair value of the consideration paid or received is adjusted to capital reserve (capital premium or equity premium) under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

If the Company loses control over a subsidiary due to the disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost when preparing the consolidated financial statements. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost, with a write-down against goodwill meanwhile. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

If the control right losses due to disposal of the equities in subsidiaries through multiple transactions, and the terms, conditions and economic impact of the transactions related to the Company's disposal of its investment in the subsidiary meet one or more of the following circumstances, it should be deemed that multiple transaction events are included into a package of transactions: (a) These transactions are concluded at the same time or under the consideration of mutual effect; (b) These transactions as a whole

can reach a complete business results; (c) The occurrence of a transaction depends on the occurrence of at least one other transaction; (d) The transactions are deemed as non-economically feasible individually while economically feasible when they are viewed together. Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package of transactions, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognised as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control. Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package of transactions, each transaction is accounted for as an independent transaction.

7. Classification of joint arrangements 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.

The Company makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. Joint arrangements are classified as joint operations and joint ventures.

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 Company shall recognise in relation to its interest in a joint operation and conducts accounting treatment in accordance with the relevant ASBEs as follow:

- (1) its solely-held assets, and its share of any assets held jointly;
- (2) its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sale of the output by the joint operation;
- (5) its solely-incurred expenses, and its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company's long-term investment in the joint venture is accounted by the equity method.

8. Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and deposits that can be readily withdrawn on demand. The term "cash equivalents" refers to short-term (generally maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Financial instruments

(i) The following accounting policies are applicable to Guofeng Company and its subsidiaries that have not adopted the New Standards for Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of financial assets and financial liabilities

On initial recognition, the Company's financial assets acquired or financial liabilities assumed are classified into the following five categories in accordance with its own business characteristics and risk management requirements, including financial assets

or liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets and other financial liabilities.

1) Financial assets or financial liabilities measured at fair value through profit or loss can be further divided into trading financial assets or financial liabilities and financial assets or financial liabilities directly designated as measured at fair value through profit or loss.

2) Held-to-maturity investments are non-derivative financial assets with fixed maturity, fixed or determinable recovery amount, and the management has clear intention and ability to hold them to maturity.

3) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include notes receivable, accounts receivable, interests receivable, dividends receivable and other receivables.

4) Available-for-sale financial assets include non-derivative financial assets designated as financial assets available-for-sales at the initial recognition, and financial assets other than financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

5) Other financial liabilities refer to the financial liabilities that have not been classified as financial liabilities measured at fair value through profit or loss.

(2) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument. According to the recognition conditions, the Company recognises the rights or obligations formed by derivative instrument contracts within the scope of recognition and measurement of financial instruments as financial assets or financial liabilities.

However, if the derivative involves the transfer of financial assets and causes the transfer of financial assets to fail to meet the derecognition conditions, it should not be recognised, otherwise the obligations formed by the derivative will be repeatedly recognised.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to current profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs and constitute the effective interest component.

Subsequent measurement of financial assets:

Financial assets measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value and interests or cash dividends to be received during the holding period are recognised in the profit or loss for the period.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss. Available-for-sale financial assets are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted. Gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial

assets are derecognised, at which time the gains or losses are transferred to profit or loss for the period.

Interests obtained and cash dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment income.

Investment in equity instrumentst that are not quoted in the active market and whose fair value cannot be reliably measured, as well as derivative financial assets that are linked to the equity instrument and must be settled by delivery of equity instrument, shall be measured at cost.

Subsequent measurement of financial liabilities:

Financial liabilities measured at fair value through current profit or loss are subsequently measured at fair value, and the transaction costs that may occur in the future disposal of the financial assets shall not be deducted.

For a derivative liability that is linked to and must be settled by delivery of an equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, it is subsequently measured at cost.

For financial guarantee contracts that does not belong to designated as financial liabilities at fair value through profit or loss, loan commitments are not designated as financial liabilities at fair value through profit or loss and will lent at a rate lower than the market interest rate, they are, after initial recognition, subsequently measured at the higher of: (a) the amount determined in accordance with *Accounting Standard for Business Enterprises No.13 - Contingencies*; and (b) the amount initially recognised less cumulative amortisation recognised in accordance with the principles set out in *Accounting Standard for Business Enterprises No.14 - Revenue*.

Financial liabilities other than mentioned above financial liabilities are subsequently

measured at amortised cost using the effective interest method.

(3) Recognition basis and measurement method of transfer of financial assets

The Company derecognises a financial asset if one of the following conditions is satisfied: (a) the contractual rights to the cash flows from the financial asset expire; or (b) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (c) although the financial asset has been transferred, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the book value of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss from changes in fair value that has been recognised in other comprehensive income, is recognised in profit or loss for the period.

For a part of transfer of a financial asset that satisfies the derecognition criteria, the book value of the transferred financial asset is allocated between the part that is derecognised and the part that is continuously involved, based on the respective fair values of those parts. The difference between (i) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income;

and (ii) the book value allocated to the part derecognised on derecognition date; is recognised in profit or loss for the period.

If the company sells the financial assets attaching resource right or transfers the financial assets by endorsement, it is necessary to determine whether nearly all the risks and rewards of ownership of the financial assets have been transferred. If nearly all the risks and rewards of the ownership of the financial assets have been transferred to the transferor, the financial assets shall be derecognised. If nearly all the risks and rewards of the ownership of financial assets are retained, the financial assets shall not be derecognised. If there are no transfer or retention of nearly all the risks and rewards of the ownership of the financial assets, the Company shall continue to judge whether it has retained control over the assets, and make corresponding accounting treatment according to principles described previously.

(4) Derecognition of financial liabilities

The Company derecognises a financial liability or part of it only when the underlying present obligation or part of it is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Company derecognises a financial liability or a part of it, it recognises the difference between the book value of the financial liability or part of the financial liability derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

(5) Determination method for the fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability

in an orderly transaction between market participants at the measurement date. If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. A quoted market price in an active market refers to the price that can be obtained easily periodically from exchanges, brokers, industry associations and pricing service institutions, etc. A quoted market price represents the price of market transactions actually occurring in orderly transaction. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. Valuation techniques include referring to the prices used in recent market transactions by parties familiar with the situation and willing to trade, referring to the current fair value of other financial instruments that are essentially the same, discounted cash flow method and option pricing model, etc.

(6) Impairment of financial assets

The Company assesses at each balance sheet date the book values of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Company determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- 1) the significant financial difficulty of the issuer or obligor;
- 2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- 3) the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

- 4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- 5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- 6) upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes adverse changes in the payment status of the borrower in the group of assets and economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- 7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- 8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost over 50% (including 50%) at the balance sheet date, or the duration of the fair value below its initial investment cost by more than 12 months (including 12 months);
- 9) other objective evidence indicating there is an impairment of a financial asset.

Impairment of held-to-maturity investments and loans and receivables

If financial assets carried at amortised cost are impaired, the book values of the financial assets are reduced to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the book value of the

financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (including financial assets are individually significant and insignificant), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the initial acquisition cost of the asset after deducting the recovered principal and amortised amount, the current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in the value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

If an impairment loss has been incurred on an investment in unquoted equity instrument without a quoted price in an active market whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the book value of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

(ii) Subsidiaries implementing the New Standards for Financial Instruments shall apply from 1 January 2019

The subsidiaries adopted the New Standards for Financial Instruments include: listed subsidiaries Wanhua Chemical Group Co., Ltd. (hereinafter referred to as “Wanhua Chemical”), Yantai Tayho Advanced Materials Co., Ltd. (hereinafter referred to as “Tayho Advanced Materials”) and Moon Environment Technology Co., Ltd. (hereinafter referred to as “Moon Environment”); a IPO subsidiary, Yantai Ishikawa Sealing Technology Co., Ltd. (hereinafter referred to as “Ishikawa Sealing”); a new third board subsidiary, Yantai MetaStar Special Paper Co., Ltd. (hereinafter referred to as “MetaStar Company”).

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or financial liability is recognised when the Company becomes a party to the contractual provisions of a financial instrument.

(1) Financial assets

1) Classification and measurement

The Company classifies financial assets into different categories depending on the

business model for managing the financial assets and the contractual terms of cash flows of the financial assets: (a) financial assets measured at amortised cost; (b) financial assets measured at fair value through other comprehensive income; (c) financial assets measured at fair value through profit or loss.

Financial assets are initially recognised at fair value. For financial measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets, any related directly attributable transaction costs are included in their initial costs. However, accounts receivable and notes receivable arising from sales of goods or rendering services, without or no consideration of significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company.

Debt instruments

The debt instruments held by the Company refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following three ways:

Measured at amortised cost:

The business model for managing such financial assets by the Company are held for collection of contractual cash flows. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, that are to give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from these financial assets is recognised using the effective interest rate method. The financial assets include cash and bank balance, notes receivable, accounts receivable, other receivable, debt investments and long-term receivables, etc. The Company's debt investments and long-term receivables due within one year (including one year) are presented in the line item "non-current assets due within one year" in the balance sheet; debt investments

acquired within one year (including one year) are presented in the line item “other current assets” in the balance sheet.

Measured at fair value through other comprehensive income (“FVTOCI”):

The business model for managing such financial assets by the Company are held for collection of contractual cash flows and for selling the financial assets, the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Movements in the book value are taken through other comprehensive income, except for the recognition of impairment gains or losses, foreign exchange gains and losses and interest income calculated using the effective interest rate method, which are recognised in profit or loss for the period. The financial assets mainly include receivables financing and other debt investments. The Company’s other debt investments due within one year (including one year) are presented in the line item “non-current assets due within one year” in the balance sheet; other debt investments acquired within one year (including one year) are presented in the line item “other current assets” in the balance sheet.

Measured at fair value through profit and loss (“FVTPL”):

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are categorised into financial assets measured at FVTPL and presented in trading financial assets. On initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The financial assets held more than one year from the balance sheet date and are expected to be held for more than one year are presented in “other non-current financial assets”.

Equity instruments

Equity instruments that the Company has no power to control, jointly control or

exercise significant influence over, are measured at FVTPL and presented as financial assets held for trading. If it is expected to hold more than one year since the balance sheet date, it shall be presented in “other non-current financial assets”.

In addition, the Company designates some equity instruments that are not held for trading as financial assets measured at FVTOCI, and presented in other equity instrument investments. The relevant dividends of these financial assets are recognised in profit or loss for the period.

2) Impairment

The Company recognises impairment losses for expected credit losses (“ECLs”) on financial assets measured at amortised cost and investment in debt instruments and financial guarantee contracts measured at FVTOCI.

The Company measures and recognises ECLs, considering reasonable and supportable information about the relevant past events, current conditions and forecasts of future economic conditions. The Company takes the risk of default as the weight to calculate the probability weighted amount of the present value of the difference between the cash flow receivable in the contract and the cash flow expected to be received.

The Company measures the ECLs of financial instruments on different stages at each balance sheet date. For financial instruments that have no significant increase in credit risk since the initial recognition, on first stage, the Company measures the impairment losses at an amount equal to 12-month ECLs. If there has been a significant increase in credit risk since the initial recognition of a financial instrument but credit impairment has not occurred, on second stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs. If credit impairment has occurred since the initial recognition of a financial instrument, on third stage, the Company recognises an impairment loss at an amount equal to lifetime ECLs.

For financial instruments that have low credit risk at the balance sheet date, the Company assumes that there is no significant increase in credit risk since the initial recognition, and measures the impairment loss at an amount equal to 12-month ECLs.

For financial instruments on the first stage and the second stage, and that have low credit risk, the Company calculates interest income according to book value without deducting the impairment loss and effective interest rate. For financial instruments on the third stage, interest income is calculated according to the book value minus amortised cost after the provision of impairment loss and effective interest rate.

(a) For notes receivable, accounts receivable and receivables financing, the Company measures the impairment loss at an amount equal to lifetime ECLs whether or not there is a significant financing component.

In case the ECLs of individually assessed notes receivable, accounts receivable and receivables financing cannot be evaluated with reasonable cost, the Company divides notes receivable, accounts receivable and receivables financing into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of accounts receivable	Accounts receivable for which the credit impairment losses are made based on aging
Grouping 2 of accounts receivable	Accounts receivable for which the credit impairment losses are made based on overdue aging

The Company, with consideration to historical credit loss experience, current conditions and forecasts of future economic conditions, prepares the cross-reference between the ageing of accounts receivable and the lifetime expected credit loss rate, and calculates the ECLs of accounts receivable that are classified into groupings.

Grouping 1 of notes receivable Bank acceptance bills

Grouping 2 of notes receivable	Commercial acceptance bills
Grouping 1 of receivables financing	Bank acceptance bills
Grouping 2 of receivables financing	Commercial acceptance bills

Based on the exposure at default and the lifetime expected credit loss rate, the Company calculates the ECLs of notes receivable and receivables financing that are classified into groupings with consideration to historical credit losses experience, current conditions and forecasts of future economic conditions.

(b) In case the ECLs of other receivables and long-term receivables individually assessed cannot be evaluated with reasonable cost, the Company divides other receivables and long-term receivables into certain groupings based on credit risk characteristics, and calculates the ECLs for the groupings. Basis for determining groupings is as follows:

Grouping 1 of other receivables	Aging portfolio
Grouping 2 of other receivables	Risk free portfolio
Grouping 1 of long-term receivables	Aging portfolio

The Company, on the basis of the exposure at default and the lifetime expected credit loss rate, calculates the ECLs of long-term receivables that are classified into groupings with consideration to historical credit losses experience, the current conditions and forecasts of future economic conditions. The Company calculates the ECLs of other receivables based on the exposure at default and the 12-month/the lifetime expected credit loss rate.

(c) The Company recognises the impairment loss accrued or written back in profit or loss. For debt instruments measured at FVTOCI, the Company adjusts other comprehensive income while the impairment loss or gain is recognised in profit or loss for the current period.

3) Derecognition

The Company derecognises a financial asset when a) the contractual right to receive cash flows from the financial asset expires; b) the Company transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset; c) the financial assets have been transferred and the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the Company has not retained control.

On derecognition of other equity instrument investments, the difference between the book values and the sum of the consideration received and any cumulative gain or loss previously recognised in other comprehensive income, is recognised in retained earnings. While on derecognition of other financial assets, this difference is recognised in profit or loss for the period.

(2) Financial liabilities

The Company, at initial recognition, classifies financial liabilities as either financial liabilities measured at amortised cost or financial liabilities measured at FVTPL.

The Company's financial liabilities are mainly financial liabilities measured at amortised cost, including notes payable, accounts payable, other payables, borrowings and bonds payable, etc. These financial liabilities are initially measured at the amount of their fair value after deducting transaction costs and use the effective interest rate method for subsequent measurement. If the terms are less than one year (including one year), these financial liabilities are presented in current liabilities; if the terms are more than one year but matures within one year (including one year) from the balance sheet date, financial liabilities are presented in "non-current liabilities due within one year"; the remaining financial liabilities are presented in "non-current liabilities".

Where the present obligations of financial liabilities are completely or partially

discharged, the Company derecognises these financial liabilities or discharged parts of obligations. The differences between the book values and the consideration received are recognised in profit or loss for the period.

(3) Determination of fair value of financial instruments

If there is an active market for financial instruments, the quoted price in the active market is used to measure fair values of the financial instruments. If no active market exists for financial instruments, valuation techniques are used to measure fair values. In valuation, the Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it, and selects input values that are consistent with the asset or liability characteristics considered by market participants in the transaction of relevant assets or liabilities, and gives priority to relevant observable input values. Use of unobservable input values where relevant observable input values cannot be obtained or are not practicable.

10. Inventories

(1) Categories of inventories

The Company's inventories mainly include raw materials, turnover materials, work in progress and finished goods, etc.

(2) Valuation method of inventories upon delivery

Inventories are initially measured at cost. The actual cost of inventories upon delivery is calculated using the weighted average method.

(3) Basis for determining the net realisable value of inventories and provision methods for the decline in value of inventories

At the balance sheet date, inventories are stated at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline

in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined based on clear evidence obtained, and takes into consideration of the purposes of holding inventories and effect of post balance sheet events.

For inventories with large quantity and low values, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of the cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) Inventory count system

The perpetual inventory system is maintained for the stock system.

(5) Amortisation method for low cost and short-lived consumable items and packaging materials

Low cost and short-lived consumable items and packaging materials are amortised using the immediate write-off method.

11. Long-term equity investment

Long-term equity investment includes equity investment in subsidiaries, associates and joint ventures.

(1) Determination of initial investment cost

Long-term equity investments acquired through a business combination, the initial investment cost shall be determined according to the following provisions:

For a long-term equity investment acquired through business combination involving entities under common control, the Company pays a consideration to the investee in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the investee in the consolidated financial statements of the ultimate controller shall be recognised, on the combination date, as the initial cost of the long-term equity investment. The difference between the initial investment cost and the book value of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the holders' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

For a long-term equity investment obtained through a business combination involving entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial investment cost of the long-term equity investment is the share of the book value of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. The difference between this initial cost and

the sum of the book value of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings. The other comprehensive income recognised based on the previously-held equity is accounted by the equity method or an available-for-sale financial asset before the date of acquisition, shall not be accounted for temporarily.

For a long-term equity investment acquired through a business combination not involving entities under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages, whether forming a package of transactions shall be handled respectively: If these transactions form a package of transactions, each transaction shall be treated as a transaction in which control is acquired. If these transactions do not form a package of transactions, the initial cost comprises the book value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date. If the previously-held equity is accounted by the equity method, the relevant other comprehensive income shall not be accounted for temporarily. If the previously-held equity is an available-for-sale financial asset, the difference between the fair value and the book value, as well as the changes in the accumulated fair value included in other comprehensive income, shall be transferred into the current profits and losses.

Long-term equity investments acquired other than through a business combination are measured at cost initially.

(2) Subsequent measurement and the method to recognise profit and loss

Long-term equity investments accounted for using the cost method:

Long-term investments in subsidiaries are accounted for using cost method in the Company's separate financial statements. Subsidiaries refer to the investees over which the Company can exert control.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current year. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly.

Long-term equity investments accounted for using the equity method:

The Company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Company has significant influence and a joint venture refers to an investee under the joint control of the company and other investors.

When an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the Company shall measure the portion of the investment in the associate held indirectly at fair value through profit or loss in accordance with *Accounting Standards for Business Enterprises No.22 - Recognition and measurement of financial instruments* regardless of whether above entities have significant influence over that portion of the investment. The Company shall apply the equity method to any remaining portion of its investment in an associate that is not held through a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable

net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognises its share of the net profit or loss of the investee for the period as investment income for the period. In calculating its share of the investee's net profits or losses, the Company recognises investment income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Company based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised gains or losses resulting from the Company's transactions with its associates and joint ventures, which does not constitute a business, are eliminated based on the proportion attributable to the Company and the investment gains or losses are recognised on such basis. However, unrealised losses resulting from the Company's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Company recognises its share of other comprehensive income of the investee for the period as other comprehensive income for the period. Meanwhile, the book value of long-term equity investment is adjusted; the book value of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are correspondingly adjusted to book value of the long-term equity investment, and recognised in the equity.

The Company discontinues recognising its share of net losses of the investee after the book value of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. In addition, if the Company has incurred obligations to assume additional losses of the

investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Company resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

(3) Determination criteria of control, joint control and significant influence over investee

Control is defined as power over the investee, exposed or having the rights to variable returns from its involvement with the investee and having the ability to use its power to affect its returns. Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, convertible debts and warrants) held by the Company or other parties that are currently exercisable or convertible shall be considered.

12. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties include land use rights leased out, land use rights held for transfer upon capital appreciation, and buildings leased out.

Investment properties are measured initially at cost. If the economic benefits relating to an investment property will probably flow in and the cost can be measured reliably, subsequent costs incurred for the property are included in the cost of the investment property. Otherwise, subsequent costs are recognised in profit or loss as incurred.

The Company uses the cost model for the subsequent measurement of its investment properties, and shall be depreciated or amortised it in accordance with the policies consistent with houses, buildings or land use rights.

For transfers from owner-occupied properties or inventories to investment property and from investment property to owner-occupied property, the property's deemed cost for subsequent accounting shall be its previous book value at the date of change in use.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the book value and related taxes is recognized in profit or loss for the period.

13. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting year. The cost of an item of fixed asset shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Company and the subsequent expenditures can be measured reliably. Meanwhile, the book value of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(2) Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the

month subsequent to the one in which it is ready for intended use. The useful life, estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimate useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Land ownership <i>(Note)</i>	Freehold	0	0
Buildings	10-50	0-10	1.80-10
Machinery and equipment	1-20	0-30	3.5-100
Transportation vehicles	4-12	0-10	9-25
Electronic equipment and others	3-10	0-10	9-33.33

Note: The freehold lands shall not be depreciated, are located in the USA, Hungary, the Czech Republic and the UK.

Estimated residual value of a fixed asset is the estimated amount that the Company would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Identification basis, valuation and depreciation methods for fixed assets acquired under finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. The ownership may or may not eventually be transferred. At the commencement date of the lease, the Company shall recognise the book-entry value of the leased assets at the lower of their fair value and the present value of the minimum lease payments. A lessee shall apply the same depreciation requirements in self-owned fixed assets in depreciating the leased asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the asset from the commencement date to the end of the

useful life of the underlying asset. Otherwise, the lessee shall depreciate the leased asset from the commencement date to the earlier of the end of the useful life of the leased asset or the end of the lease term.

(4) Other explanations

The useful lives, estimated residual value and depreciation method shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate.

The book value of a fixed asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

14. Construction in progress

The cost of construction in progress is determined according to the actual expenditures incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalised before the construction is ready for its intended use, and other relevant expenditures. An item of construction in progress is transferred to fixed assets when the asset is ready for its intended use.

15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that is necessary to prepare the asset for its intended use or sales have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of

borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally by activities other than those necessary to get the asset ready for its intended use or sale, when the suspension is for a continuous period of more than three months. Capitalisation is suspended until the construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

16. Intangible assets

(1) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from owned or controlled by the Company. Intangible assets include patents, non-patented technology, trademark, copyrights, land use rights, franchises and computer software, etc.

Intangible assets are measured initially at cost. The useful life of intangible assets that arises from contractual or other legal rights should not exceed the period of the rights. For intangible assets without contractual or other legal provisions, the Company shall assess various aspects to determine the time limit for the intangible asset is expected to generate economic benefits for the Company, such as hiring relevant experts to conduct argumentation or comparison with the situation in the same industry and the Company's historical experience, etc. Intangible assets shall be regarded by the Company as having indefinite useful life when, based on the above efforts, there is no foreseeable limit to the period over which the assets are expected to generate economic benefits for the Company. Amortisation shall begin when intangible assets with finite useful life are available for use. Their original value less estimated net residual value and the accumulative amount of accrued impairment reserves are amortised over their useful life by using the straight-line method. Intangible assets with infinite useful life shall not be amortised.

For an intangible asset with a finite useful life, the Company reviews the useful life and amortisation method at the end of the period, and makes adjustments if necessary. By the judgment on the basis of the information available, only the intangible assets with any conclusive evidence indicating that the useful life could not be estimated reliably could be recognised as intangible assets with indefinite useful life. The useful life of an intangible asset that is not being amortised shall be reviewed at the end of the period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is evidence that the term of the intangible asset generating economic benefits to the Company is foreseeable, the useful life would be estimated and amortised over its useful life according to the amortisation policy.

(2) Internal research and development expenditure

Internal research and development expenditures of the Company are classified as research expenditures and development expenditures.

Expenditure during the research phase is recognised in profit or loss in the period in which it is incurred.

Development expenditures may qualify for recognition as intangible assets provided that all of the following criteria are met. Expenditure on the development phase which does not meet the following criteria is recognised in profit or loss when incurred:

- 1) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- 2) its intention to complete the intangible asset and use or sell it;
- 3) it can be demonstrated that the asset will generate probable future economic benefits;
- 4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- 5) the ability to measure reliably the expenditure attributable to the intangible asset during the development phase.

If the expenditures cannot be distinguished between the research phase and development phase, the Company recognises all of them in profit or loss for the period.

17. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that fixed assets, construction in progress, intangible assets with finite useful life, investment properties measured at cost model, long-term equity investments and non-current non-financial assets may be impaired. If there is any indication that such assets may be impaired, the recoverable amount is estimated. Goodwill, intangible assets with infinite life and those not ready for intended use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its book value. 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 fair value of assets shall be determined by the price in the sales agreement in fair transactions. If there is an active market in the asset and does not have any sales agreement, the fair value should be what market participants might pay. If there is no active market in the assets and does not have any sales agreement, the fair value of assets is estimated based on the best available information. The costs of disposal include legal expenses, relevant taxes, truckage and direct expenses incurred for placing the assets to the status for sales. The present value of estimated future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate discount rate. The provision for asset impairment is calculated and recognised on the basis of individual assets. When it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the asset group to which the asset belongs. An asset group is the smallest group of assets that generates cash inflows independently.

Goodwill, separately listed in financial statements, is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups including goodwill are less than its book value. The impairment loss is first allocated to reduce the book value of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group on the pro-rata basis of the book value of each asset other than goodwill in the group.

Once an impairment loss on assets mentioned above is recognised, it is not reversed in a subsequent period.

18. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and

amortised over the current and subsequent periods together of more than one year. Long-term prepaid expenses are recorded at the actual expenditures and amortised using the straight-line method of the expected periods in which benefits are derived.

If certain long-term prepaid expense item cannot benefit the Company in subsequent accounting period, its remaining amortised amount should be recognised in profit or loss for the current period.

19. Employee benefits

(1) Accounting methods for short-term employee benefits

Short-term employee benefits are employee benefits other than termination benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits include employee salary, bonus, allowance and subsidy, employee welfare, medical insurance, industrial injury insurance, maternity insurance and other social security contributions, housing fund, labour union fund and employee education fund, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits and other short-term benefits.

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognised as liabilities and included into the current profit or loss or the assets-related cost.

(2) Accounting methods for post-employment benefits

Post-employment benefits are mainly included in defined contribution plan.

Post-employment benefits shall refer to the agreement with employees after the completion of employment, or the regulations or methods prepared by the Company for the post-employment benefits provided to employees. Defined contribution plans are

the Company pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Employees of the Company participated in a defined contribution pension insurance in the social insurance system established and managed by government organisations. In an accounting period in which an employee has rendered service to the Company, the Company recognises the contributions payable as a liability, and the related expenditures are either included in the cost of related assets or charged to profit or loss in the period when they are incurred.

(3) Accounting methods for termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Company's decision to terminate an employee's employment before the expiration of the labor contract or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

When the Company provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding expense in profit or loss at the earlier of the following dates: 1) when the Company cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and 2) when the Company recognises costs or expenses related to restructuring that involves the payment of termination benefits.

(4) Accounting methods for other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits, including long-term paid absences, long-term disability benefits and long-term profit-sharing, etc.

Other long-term employee benefits provided by the Company to employees shall be

accounted according to above provisions in defined contribution plan if such benefits could meet the conditions of defined contribution plan. Besides, the Company shall recognise and measure the net liabilities or net assets of other long-term employee benefits in accordance with relative provisions about on defined benefit plan. At the end of the reporting period, the employee remuneration cost arising from other long-term employee benefits shall be recognised as follow:

- 1) service cost;
- 2) net interest on the other long-term employee benefits liability or asset;
- 3) changes arising from remeasurements of the other long-term employee benefits liability or asset.

The net total of above amounts should be recognised in profit or loss for the period or in the cost of an asset.

20. Provisions

Provisions for warranties, restructuring, onerous contracts etc are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only

when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

(1) Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If the contract to be executed is onerous, and the present obligation under the contract meet the above recognition criteria of provision, the part of the estimated loss of the contract exceeding the recognised impairment loss (if any) of the underlying assets of the contract shall be recognised as a provision.

(2) Provisions for restructuring

A public announcement of a detailed formal plan to restructure constitutes a constructive obligation to restructure. A restructuring provision include the direct expenditures arising from the restructuring is recognised only when the general recognition criteria mentioned for provisions are met. Where the restructuring involves the sale of an operation, no obligation arises until the Company is committed to the sale (ie there is a binding sale agreement).

21. Revenue

(1) The following recognition criteria must be met when revenue from sale of goods is recognised:

- 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 3) the amount of revenue can be measured reliably;

- 4) it is probable that the associated economic benefits will flow to the Company;
- 5) the relevant cost incurred or to be incurred can be measured reliably.

The specific methods for the recognition of the Company's revenue from sale of goods:

The Company sells products with the sale model of the supply chain such as coal, steel, non-ferrous metals, etc; revenue is recognised at a point in time when the settlement sheet confirmed by both parties issued. If the contract stipulates clearly that the time point of risk transfer of goods is the buyer's pick-up, revenue is recognised when the buyer's bill of lading issued.

(2) Revenue from rendering of services

When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The outcome of the transaction involving the rendering of services can be measured reliably, which means that the following conditions are met:

- 1) the amount of revenue can be measured reliably;
- 2) it is probable that the associated economic benefits will flow to the Company;
- 3) the stage of completion of the transaction can be determined reliably;
- 4) the associated costs incurred or to be incurred can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, the treatment is accounted for according to the following circumstances, respectively:

- 1) when it is probable that the services rendered will be compensated, revenue shall be recognised according to the amount of the labor costs incurred; and the cost shall be carried forward at the same amount;
- 2) when it is not probable that the services rendered will be compensated, revenue is

not recognised, and the costs incurred are recognised as expenses for the period.

(3) Revenue both from sale of goods and rendering of services:

When the contract or agreement signed between the Company and other enterprises includes the sale of goods and rendering of service, the treatment is accounted for according to the following circumstances, respectively: if the part of goods sold and the part of services provided can be distinguished and measured separately, the part of services provided shall be treated as the rendering of services. If the part of goods sold and the part of services provided is not distinct, or if they can be distinguished but cannot be measured separately, the part of sale of goods and the part of services provided shall be treated as sale of goods.

(4) Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably on the balance sheet date, contract revenue and contract costs shall be recognised at the percentage-of-completion method.

The outcome of a construction contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) the amount of contract revenue can be measured reliably;
- 2) it is probable that the contract associated economic benefits will flow to the Company;
- 3) the actual contract costs incurred can be distinguished clearly and measured reliably;
- 4) the stage of contract completion and costs to be incurred to complete the contract can be determined reliably.

The outcome of a cost plus contract can be estimated reliably means that the following conditions are met simultaneously:

- 1) it is probable that the contract associated economic benefits will flow to the Company;
- 2) the actual contract costs incurred can be distinguished clearly and measured reliably.

The Company adopts the proportion of the accumulated actual contract cost incurred in the total estimated contract cost, and the proportion of the completed contract workload in the total estimated contract workload to determine the stage of completion of a contract.

If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent that contract costs incurred are expected to be recoverable, and contract costs should be expensed as incurred. Instead, contract revenue should not be recognised and contract costs should be expensed as incurred immediately.

22. Government grants

Government grants are a transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government to the Company as an investor. Government grants are divided into grants related to assets and grants related to assets income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value; if fair value is not reliably determinable, it is measured at a nominal amount. A Government grant measured at a nominal amount shall be recognised directly in profit or loss in the period.

- (1) Specific standards for distinguishing government grants related to assets and government grants related to income:

The Company defines that government grants related to assets are grants whose primary condition is that the Company qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets.

For a government grant that include both the asset-related portion and the income-related portion, the Company shall distinguish different portions for accounting treatment; if it is difficult to distinguish, it shall be classified as income-related a government grant as a whole.

(2) Recognition and measurement of government grants related to assets:

A government grant related to assets is recognised as deferred income according to the total amount method, and evenly amortised to profit or loss on a rational and systematic basis over the useful life of the related asset. Where the assets are sold, transferred, retired or damaged before the end of their useful lives, the rest of the remaining deferred income is released to profit or loss for the period in which the relevant assets are disposed of.

(3) Recognition and measurement of government grants related to income:

For the government grants related to income, the accounting treatment of the Company is accounted for as follows:

- 1) if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and released in profit or loss over the periods in which the related costs are recognised;
- 2) if the grant is a compensation for related expenses or losses already incurred, it is recognised immediately in profit or loss for the period.

(4) Government grants received by the Company related to routine activities are recognised in other income according to the economic nature of business; whereas

government grants received by the Company other than those related to routine activities are recognised in non-operating income.

Where a recognised government grant need to be returned, the Company shall conduct accounting treatment in accordance with the following provisions in the period of return:

- 1) if there are relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess shall be included in the profit and loss for the period;
- 2) in other cases, it shall be recognised directly in the profit and loss for the period.

(5) Timing of recognition of various government grants involved in the Company

The Company usually recognises and measures the actual amount of government grants when it is actually received. However, a government grant shall be measured at the amount receivable at the end of accounting period when there is conclusive evidence conclusive evidence that the conditions attaching to the grant have been or will be fulfilled and that the grant will be received. Government grants measured at amount receivable shall fulfill the following conditions at the same time: 1) The amount receivable of the grant shall have been confirmed by a document issued by the authorised government department, or it may be reasonably measured according to the relevant provisions of the officially announced fiscal fund management method, and it is expected that there is no significant uncertainty in the amount; 2) It is based on the financial support projects that have been officially released by the local financial department and that are voluntarily disclosed in accordance with the regulations of the “Government Information Disclosure Regulations”, and the administrative measures for financial funds. The management measures should be inclusive (any enterprise that meets the specified conditions can apply), but not specifically for a specific enterprise; 3) The approval documents of relevant grants have clearly promised the appropriation period, and the appropriation of the funds is guaranteed by the corresponding financial budget, thus it can be reasonably guaranteed that it can be received within the specified period; 4) Other relevant conditions that should be satisfied according to the specific

conditions of the Company and the grant.

23. Deferred income tax assets/deferred income tax liabilities

Income tax expenses include current income tax and deferred income tax.

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(2) Deferred tax assets and deferred tax liabilities

For temporary differences between the book values of certain assets or liabilities and their tax base, or between the book values of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction not a business combination that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with

investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the book value of goodwill.

At the balance sheet date, the book value of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Offsetting income tax

When the Company has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Company has a legal right to settle current tax assets and liabilities on a net

basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

24. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases other than finance leases are classified as operating leases.

(1) The Company as a lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of the related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

(2) The Company as a lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with than a significant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

(3) The Company as a lessee under finance leases

At the commencement date of the lease, the Company shall recognise the book-entry value of the leased assets at the lower of their fair value and the present value of the minimum lease payments, that of long-term payables at the minimum lease payments and the unrecognised financing costs at the difference between the book-entry value of the leased assets and that of the long-term payables. In addition, the initial direct costs that can be attributed to the leased item in the process of lease negotiation and signing the lease contract are also included in the value of the leased assets.

The Company adopts the effective interest rate method to amortise the unrecognised financing expenses over the lease term of the assets. Contingent rents are charged to profit or loss in the period in which they actually arise. The balance of the minimum lease payment after deducting the unrecognised financing expenses is stated as “long-term liabilities” and “long-term liabilities due within one year”.

(4) The Company as a lessor under finance leases

At the commencement date of the lease, the aggregation of the minimum lease payment receivable from the lessee and initial direct costs is recognised as a receivable under finance leases, the unguaranteed residual value shall be recorded meanwhile. The difference between the aggregation of the minimum lease payment receivable from the lessee, unguaranteed residual value and initial direct costs and the present value is recognised as unearned finance income.

The unearned finance income shall be recognised as finance income with effective interest rate method over the term of the lease. Contingent rents are recorded into profit or loss of the period in which they actually arise.

The balance of lease payments receivable after deducting the unearned finance income is stated as “long-term receivables” and “long-term receivables due within one year”.

25. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

On 30 April 2019, the MOF announced the “Notice of Revising and Issuing the Format of Financial Statements of General Enterprises for 2019” (Cai Kuai [2019] No.6) and required enterprise which adopted the New Standards for Financial Instrument standard but not yet adopt the New Standards for Revenue and Lease to prepare the financial statements according to the following requirements:

In the statement of financial position, “Notes receivable and Accounts receivable” are split into “Notes receivable” and “Accounts receivable”; “Accounts receivable financing” are added to reflect the notes receivable and accounts receivable which measured at FVTOCI on balance sheet date; “Notes payable and Accounts payable” are split into “Notes payable” and “Accounts payable”;

In the statement of comprehensive income, “Gains from derecognition of financial assets measured at amortised cost” are added under the “Investment income (Losses are indicated by “-”).

On 19 September 2019, the MOF issued “Notice of Revising and Issuing the Format of Consolidated Financial Statements for 2019” (Cai Kuai [2019] No.16), as a complement of the announcement Cai Kuai [2019] No.6.

The Company has prepared comparative financial statements in accordance with the requirement of Cai Kuai [2019] No.6 and Cai Kuai [2019] No.16, and changed the presentation by retrospective adjustment method.

On 31 March 2017, the MOF issued “Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments (Revised in 2017)” (Cai Kuai [2017] No.7), “Accounting Standard for Business Enterprises No.23 - Transfer of financial assets (Revised in 2017)” (Cai Kuai [2017] No.8), “Accounting Standards for Business Enterprises No. 24 - Hedging (Revised in 2017)” (Cai Kuai

[2017] No. 9). On 2 May 2017, the MOF issued “Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (Revised in 2017)” (Cai Kuai [2017] No.14) (the above standards are collectively referred to as the “New Standards for Financial Instruments”). Domestic listed companies are required to implement the new financial instruments standards from 1 January 2019. The Company implemented the above mentioned new financial instrument standards on 1 January 2019, and adjusted the relevant contents of accounting policies. The listed companies, IPOs and new third board subsidiaries of the Company implemented the above New Standards for Financial Instruments on 1 January 2019 and adjusted the relevant contents of accounting policies. See “Note. III. 9” for details.

If the recognition and measurement of financial instruments before 1 January 2019 was inconsistent with the requirements of the New Standards for Financial Instruments, the listed companies, IPOs and new third board subsidiaries of the Company retroactively adjusted the classification and measurement (including impairment) of the financial instruments in accordance with the New Standards for Financial Instruments. The difference between the original book value of the financial instrument and the new book value on the date of implementation of the New Standards for Financial Instruments (i.e. 1 January 2019) was recognised in retained earnings or other comprehensive income at 1 January 2019, and the consolidated financial statements of the Company was adjusted accordingly. The Company did not adjust the comparative financial statement data.

(2) Changes in significant accounting estimates

During the reporting period, there were no significant changes in accounting estimates.

(3) Adjustment to the financial statements at the beginning of the reporting period for the initial implementation of New Financial Instruments standards

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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Unite: RMB

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and bank balances	9,441,665,024.19	9,441,665,024.19	
Financial assets held for trading		690,846,725.62	690,846,725.62
Financial assets at fair value through profit or loss	173,352,010.33	168,963,825.37	-4,388,184.96
Derivative financial assets	108,787,119.90	108,787,119.90	
Notes receivable	10,400,356,013.14	861,289,766.41	-9,539,066,246.73
Accounts receivable	5,481,768,727.25	5,701,893,979.06	220,125,251.81
Receivables financing		9,539,066,246.73	9,539,066,246.73
Prepayments	729,610,239.14	729,610,239.14	
Other receivables	4,659,793,570.27	4,659,138,849.73	-654,720.54
Inventories	10,451,129,139.31	10,451,129,139.31	
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	1,889,826,527.34	1,206,526,527.34	-683,300,000.00
Total current assets	43,336,288,370.87	43,558,917,442.80	222,629,071.93
Non-current assets:			
Debt investments		50,000.00	50,000.00
Available-for-sale financial	802,494,794.53	373,448,795.85	-429,045,998.68
Other debt investments			
Held-to-maturity investments	50,000.00		-50,000.00
Long-term receivables	951,882,086.07	951,882,086.07	
Long-term equity investments	1,188,486,002.35	1,188,521,953.18	35,950.83
Investments in other equity instruments		283,834,031.26	283,834,031.26
Other non-current financial assets		269,490,491.01	269,490,491.01
Investment properties	269,002,317.90	269,002,317.90	
Fixed assets	39,843,622,992.13	39,843,622,992.13	

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Construction in progress	11,676,555,250.25	11,676,555,250.25	
Productive biological assets			
Oil and gas assets			
Intangible assets	6,221,952,320.01	6,221,952,320.01	
Development expenditure			
Goodwill	2,160,079,673.35	2,160,079,673.35	
Long-term prepaid expenses	64,461,298.82	64,461,298.82	
Deferred tax assets	1,060,962,812.42	1,025,878,123.80	-35,084,688.62
Other non-current assets	5,452,295,889.16	5,452,295,889.16	
Total non-current assets	69,691,845,436.99	69,781,075,222.79	89,229,785.80
TOTAL ASSETS	113,028,133,807.86	113,339,992,665.59	311,858,857.73

Current liabilities:

Short-term borrowings	19,587,329,113.47	19,587,329,113.47	
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss	636,143.14	636,143.14	
Derivative financial liabilities	12,811,022.70	12,811,022.70	
Notes payable	4,758,983,531.49	4,758,983,531.49	
Accounts payable	6,957,780,121.28	6,957,780,121.28	
Advances from customers	3,437,749,965.15	3,437,749,965.15	
Employee benefits payable	1,292,522,109.15	1,292,522,109.15	
Taxes payable	1,690,183,713.85	1,690,183,713.85	
Other payables	4,157,448,746.06	4,157,448,746.06	
Held-for-sale liabilities			
Non-current liabilities due within one year	5,975,588,712.33	5,975,588,712.33	
Other current liabilities	6,308,876.90	6,308,876.90	
Total current liabilities	47,877,342,055.52	47,877,342,055.52	

Non-current liabilities:

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Long-term borrowings	6,948,977,234.98	6,948,977,234.98	
Bonds payable			
Including: Preference share			
Perpetual bond			
Long-term payables	885,052,365.40	885,052,365.40	
Long-term employee benefits payable	56,631,313.58	56,631,313.58	
Provisions	326,072,826.94	326,072,826.94	
Deferred income	1,100,768,517.15	1,100,768,517.15	
Deferred tax liabilities	895,174,492.66	895,586,880.43	412,387.77
Other non-current liabilities			
Total non-current liabilities	10,212,676,750.71	10,213,089,138.48	412,387.77
TOTAL LIABILITIES	58,090,018,806.23	58,090,431,194.00	412,387.77
OWNERS' EQUITY:			
Paid-in capital (or Share capital)	1,000,000,000.00	1,000,000,000.00	
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	3,729,943,919.95	3,721,183,971.63	-8,759,948.32
Less: Treasury shares			
Other comprehensive income	-49,846,270.73	-69,484,578.70	-19,638,307.97
Special reserve	4,405,304.28	4,405,304.28	
Surplus reserve	52,570,971.74	52,570,971.74	
General risk reserve			
Undistributed profits	9,293,981,200.27	9,392,872,878.78	98,891,678.51
Total owners' equity attributable to equity holders of the Company	14,031,055,125.51	14,101,548,547.73	70,493,422.22
Minority interests	40,907,059,876.12	41,148,012,923.86	240,953,047.74
Total owners' equity	54,938,115,001.63	55,249,561,471.59	311,446,469.96
TOTAL OWNERS' EQUITY AND LIABILITIES	113,028,133,807.86	113,339,992,665.59	311,858,857.73

IV. TAXATION

1. Major categories of taxes and tax rates

(1) Yantai Guofeng Investment Holdings Group Co., Ltd:

Category of tax	Basis of tax computation	Tax rate
Value-added tax (VAT)	Sales excluding tax	3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Local water conservancy construction fund	Turnover tax payable	0.5%
Enterprise income tax	Taxable income	25%

(2) Wanhua Chemical Group Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate	
		Domestic	Hungary
Value-added tax	The amount of output tax after deduction of input tax	<p>The output tax of Wanhua Chemical's subsidiaries, Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. ("Wanhua Thermal Power") and Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd. ("Yantai Chlor-Alkali") are calculated at 10% of the steam sales, and the output tax of Wanhua Chemical (Ningbo) Port Co., Ltd. ("Wanhua Port") is calculated at 6% of the port service revenue. Except aforementioned companies, other output tax is calculated at 16% of the sales according to the relevant provisions of tax laws.</p> <p>In accordance with the Announcement of the MOF and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (the MOF and the General Administration of Customs of the State Administration of Taxation announced in 2019, No.39), if</p>	27%

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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		the taxpayer is subject to VAT taxable sales or imported goods, the tax rates which were originally 16% and 10% shall be adjusted to 13% and 9% respectively since 1 April 2019.	
Urban maintenance and construction tax	Turnover tax payable	5%-7%	N/A
Business tax	Balances of sales income deducting material costs and expenses related to sales	N/A	2%
Innovation contribution tax	Balances of sales income deducting material costs and expenses related to sales	N/A	0.3%
Property tax	The market price of land and property	N/A	The land: The land use tax is approximately 3% of the market price of lands (the maximum price is approximately EUR 1.2/square meter). The property: The property tax is approximately 3.6% of the market price of buildings (the maximum price is approximately EUR 6/square meter), which are adjusted annually in accordance with parameters such as CPI.
Environmental protection tax	Discharging weight and volume of waste water, exhaust gas and wastes, traders of energy power, etc.	The range of tax amount of taxable air pollutants is RMB 1.2 to RMB 12 per pollution equivalent and the range of tax amount of water pollutants is RMB 1.4 to RMB 14 per pollution equivalent. The specific applicable tax amount shall	Gas emission of nitrogen oxide: about EUR 0.4 per kg; Discharge of chemical organic waste water: EUR 0.3 per kg based on organic

		be determined by the standing committee of the Provincial People's Congress where the subsidiary is located within the legal tax amount range.	contents. Taxes of wastes landfill: about EUR 0.4 per kg; Power: HUF 310.5 per 1000 kilowatt hour (about EUR 1); Natural gas: HUF 303.8 per 1000 kilowatt hour (about EUR 1); Coal: HUF 2,516 per ton (about EUR 8, etc).
House property tax	It is calculated and paid at the actual tax rate	The property held by the Company is for business use and is taxed at 1.2% of the original value of the property after a one-time deduction of 30%; the rental property is taxed on the basis of rental income and the applicable tax rate is 12%.	N/A
Enterprise income tax	Taxable income	See the table below	
Other taxes	It shall be calculated and paid according to the tax rate specified by relevant state regulations.		

The domestic and foreign subsidiaries of Wanhua Chemical subject to different enterprise income tax rates are disclosed as follows:

Subject of tax payment	Income tax rates (%)
Wanhua Chemical	15
Wanhua Chemical (Yantai) Petrochemical Co., Ltd.	25
Wanhua Chemical Group Material Co., Ltd.	25
Yantai Wanhua Chemical Design Institute Co., Ltd.	25
Wanhua Chemical Group Energy Co., Ltd.	25
Wanhua Chemical Group Environmental Protection Technology Co., Ltd.	25
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	25
Yantai Xinghua Energy Co., Ltd.	25
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd.	25
Wanhua Chemical (Ningbo) Co., Ltd.	15

*NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Subject of tax payment	Income tax rates (%)
Wanhua Chemical (Ningbo) Port Co., Ltd.	25
Wanhua Chemical (Ningbo) Trading Co., Ltd.	25
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd. ("Ningbo Rongwei")	15
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	25
Wanhua Chemical (Guangdong) Co., Ltd. ("Wanhua Guangdong")	15
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	25
Zhuhai Wanhua Real Estate Development Co., Ltd.	25
Wanhua Chemical (Sichuan) Co., Ltd.	25
Wanhua Chemical (Beijing) Co., Ltd. ("Wanhua Beijing")	15
Beijing Juliwei Technology Co., Ltd.	25
Shanghai Wanhua Industrial Development Co., Ltd.	25
Shanghai Wanhua Keiv Chemical Technology Development Co., Ltd.	25
Wanhua Chemical (Hong Kong) Co., Ltd. ("Wanhua Hong Kong")	16.5
Wanhua Chemical (America) Co., Ltd.	21
Wanhua Chemical US Holding Inc.	21
Wanhua North America Service Co., Ltd.	21
Wanhua Chemical US Production LLC	21
Wanhua Shipping (Singapore) Co., Ltd.	17
Wanhua Chemical International Pte. Ltd.	17
Wanhua Chemical (Japan) Co., Ltd.	23.2
Wanhua International (India) Private Limited.	25
Wanhua Chemical (Hungary) Holding Co., Ltd.	9
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. ("Foshan Rongwei")	25

*NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Subject of tax payment	Income tax rates (%)
Yantai Recycled Water Co., Ltd.	25
Wanhua Chemical (Yantai) Selling Co., Ltd. ("Yantai Selling")	25
Ningbo Xinda Mingzhou Trading Co., Ltd.	25
Wanhua Chemical (Singapore) Co., Ltd. ("Wanhua Singapore")	10
Fujian Connell Polyurethane Co., Ltd.	25
Whilsun Trading Pte. Ltd.	17
Wanhua Chemical (Korea) Co., Ltd.	10
Yantai Xinghua New Materials Technology Co., Ltd.	25
Chematur Technologies AB	21.4
Chematur Engineering AB	21.4
Yantai Xinyuan Investment Co., Ltd.	25
Yantai Xinyi Investment Co., Ltd.	25
Yantai Chenfeng Investment Co., Ltd.	20
BC Chlor-Alkali Ltd.	9
Borsod Chenfeng Chemical Kft.	9
Sino-Hungarian Borsod Economic Cooperation Area Development Company Ltd.	9
Wanhua International Resources Co., Ltd.	16.5
Wanhua International Holding Co., Ltd.	16.5
Mount Tai Chemical Holding Company S.á.r.l. ("Mount Tai")	24.94
BorsodChem Zrt.	9
BorsodChem (Yantai) Co., Ltd.	25
BorsodChem MCHZ,s.r.o.	19
BorsodChem Italia S.r.l.	27.9
BC-KC Formalin Kft.	9
BC-Energiakereskedő Kft.	40
BC ErőműKft.	40
BC-Therm Kft.	9

Subject of tax payment	Income tax rates (%)
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	34
Polimer Szolgáltató Kft.	9
BC Power Energiatermelő II Kft.	9
Wanhua BorsodChem Rus LLC.	20

(3) Yantai Tayho Advanced Materials Group Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenues	16%, 13%, 10%, 9%, 6%, 5%, 3%
Urban maintenance and construction tax	Turnover tax payable	7%, 3.5%
Enterprise income tax (Note 1)	Taxable income	25%, 20%, 15%
House property tax	70% of the original value of the property and rental income	1.2%, 12%
Land use tax	The actual land use area occupied	RMB 5-13 /m ²
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Water conservancy construction fund (Note 2)	Turnover tax payable / Revenue from sales of goods	1%, 0.5%
Water resources tax	Actual water consumption	RMB 0.4/ m ³

Note 1: The income tax rate of Yantai Tayho Advanced Materials Group Co., Ltd. (hereinafter referred to as “Tayho Advanced Materials Group”) is 25%.

Tayho Advanced Materials Group’s subsidiaries, Tayho Advanced Materials, Yantai Taipulong Advanced Manufacturing Technology Co., Ltd. (hereinafter referred to as “Taipulong Manufacturing Company”), Ningxia Tayho Aramid Co., Ltd. (“Tayho Aramid Company”), Ningxia Ningdong Tayho Advanced Materials Co., Ltd. (hereinafter referred to as “Ningdong Tayho Company”), the applicable corporate income tax rate are both 15%. Yantai Tayho Fashion Technology Co., Ltd. (hereinafter

referred to as “Tayho Fashion Company”) and Yantai Taixiang Investment Co., Ltd. (hereinafter referred to as “Taixiang Investment”), are subject to an applicable corporate income tax rate of 20%. The income tax rate of all subsidiaries of Tayho Group other than the above is 25%.

Note 2: According to the document Lu Zheng Ban Zi (2017) No.83, the local water conservancy construction fund shall be levied at a 50% reduction from 1 June 2017 to 31 December 2020.

(4) Yantai Moon Group Co., Ltd.:

Category of tax	Basis of tax computation	Tax rate
Value-added tax (<i>Note 1</i>)	Output tax less deductible input tax	20%, 17%, 16%, 14%, 13%, 11%, 10%, 9%, 6%, etc.
Urban maintenance and construction tax	Turnover tax payable	1%, 5%, 7%
Educational surcharges	Turnover tax payable	3%
Local educational surcharges	Turnover tax payable	2%
Sales tax (<i>Note 2</i>)	Sales revenue	10%
Enterprise income tax	Taxable income	(<i>Note 3</i>)

Note 1: From January to March 2019, the output tax of the domestic parent and subsidiaries of Yantai Moon Group Co., Ltd. (hereinafter referred to as “Moon Group”) of Moon Environment shall be calculated according to the domestic tax law at the rates of 16%, 10% and 6%, among which the engineering project shall be levied at the rate of 10%. According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform issued by the MOF, the State Administration of Taxation and the General Administration of customs, from 1 April 2019, the output tax of Moon Environment and its domestic subsidiaries is calculated at the tax rates of 13%, 9% and 6% according to the domestic tax law, and the engineering project is levied at the tax

rate of 9%; the policy of simple levy of 5% is implemented for rent income, the technical service income is levied at the rate of 6%, and the interest income of entrusted loan is levied at the rate of 6%; Dunham-Bush International (Africa) (Pty) Limited, a South African subsidiary of Moon Environment, is charged output tax at the rate of 14% in accordance with South African tax laws; the output tax of Dunham-Bush Limited, a British subsidiary of Moon Environment, is calculated at the tax rate of 20% in accordance with the British tax law; the output tax of Dunham-Bush Vietnam Co., Ltd., a Vietnam subsidiary of Moon Environment, is calculated at the rate of 10% in accordance with the tax law of Vietnam.

Note 2: Dunham-Bush sales & services Sdn. Bhd and Dunham-Bush industries Sdn. Bhd, the Malaysian subsidiaries of Moon Environment, pay sales tax at the rate of 10% according to the Malaysian tax law.

Note 3: The enterprise income tax rates of domestic and overseas subsidiaries of Moon Environment are shown in the table below:

Subject of tax payment	Income tax rate
Yantai Moon Group Co., Ltd	25%
Moon Environment	15%
Yantai Moon Foundry Co., Ltd.	25%
Yantai Moon Heavy Casting Machinery Co., Ltd.	25%
Yantai Moon Engineering Technology Co., Ltd.	25%
Yantai Moon Compressor Co., Ltd.	25%
Yantai Moon (Vietnam) Co., Ltd.	20%
Yantai Moon Refrigeration and Air Conditioning Energy Saving Service Co., Ltd.	25%
Yantai Moon Energy Saving Technology Co., Ltd.	25%
Shandong Lushang Moon Architecture Design Co., Ltd.	15%
Beijing Huayuan taimeng Energy-Saving Equipment Co., Ltd.	15%

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Subject of tax payment	Income tax rate
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	15%
Yantai Moon Heat Exchange Technology Co., Ltd.	25%
Yantai Moon Pressure Vessel Co., Ltd.	25%
Yantai Moon Medicine Equipment Co., Ltd.	25%
Yantai Moon Group (Hong Kong) Co., Ltd.	16.5%
Dunham-Bush (China) Industry Co., Ltd.	15%
Dunham-Bush (Yantai) Energy Technology Co., Ltd.	25%
Dunham-Bush Industries Sdn. Bhd	24%
Dunham-Bush Sales&Services Sdn. Bhd	24%
Dunham-Bush International Pte Ltd	17%
Dunham-Bush Sales&Service(s) Pte Ltd	17%
Dunham-Bush International (Africa) (Pty.) Limited	28%
Dunham-Bush Limited	Extra progressive tax rate: 20%-23.75%
Dunham-Bush International (Cayman) Limited	0%
Dunham-Bush Mena JLT	0%
Dunham-Bush USA LLC	Extra progressive tax rate: 15%-38%
Dunham-Bush Vietnam Co., Ltd.	20%
Pt. Yantai Moon Indonesia	25%

(5) Wanhua Industrial Group Co., Ltd. :

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Revenue from sales of goods and taxable services	16%、13%、10%、9%、6%、5%、3% (Note 1)
Urban maintenance and construction tax	Turnover tax	7%
Educational surcharges	Turnover tax	3%
Local educational surcharges	Turnover tax	2%
House property tax	70% of the original value of the self-used property is taken as the tax basis, and the applicable tax rate is 1.2%; Rental real estate is based on rental	

	income, and the applicable tax rate is 12%.
Enterprise income tax	(Note 2)
Other taxes	It shall be calculated and paid according to the tax rate specified by relevant state regulations.

Note 1: According to the Announcement of the MOF, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform, from 1 April 2019, the tax rates for VAT general taxpayers who engage in taxable sales of VAT or import goods, which were previously subject to the tax rates of 16% and 10%, would be adjusted to 13% and 9% respectively.

Note 2: The income tax rate of Wanhua Industrial Group Co., Ltd. (hereinafter referred to as “Wanhua Industry”) is 25%.

The subsidiaries of Wanhua Industry, Wanhua EnergySav Engineering Technology Co., Ltd. (hereinafter referred to as “Wanhua Energy Saving”), Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd. and Wanhua Construction Technology (Yantai) Co., Ltd. are high-tech enterprises, and the income tax rate are both 15%. All subsidiaries of Wanhua Industrial other than the above are subject to an income tax rate of 25%.

(6) Other subsidiaries:

Category of tax	Basis of tax computation	Tax rate
Value-added tax	The output tax is calculated on the basis of the revenue from sales of goods and taxable services under the tax law. After deducting the input tax allowed to be deducted in the current period, the difference is the value-added tax payable.	16%, 13%, 10%, 9%, 5%, 3%
Urban maintenance and construction tax	Calculated and paid at the actual turnover tax paid	7%
Educational surcharges	Calculated and paid at the actual turnover tax paid	3%

Category of tax	Basis of tax computation	Tax rate
Local educational surcharges	Calculated and paid at the actual turnover tax paid	2%
Local water conservancy construction fund	Calculated and paid at the actual turnover tax paid	0.5%
Enterprise income tax	Calculated and paid at the taxable income	25%, 20%, 15%
Land use tax	Land Area	RMB 11.2 /m ²

2. Tax preference

(1) Enterprise income tax

1) According to Lu Ke Zi [2018] No.37 – “Recognition of 2078 Enterprises as High and New Technology Enterprises for 2017” jointly issued by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, Shandong Provincial State Taxation Bureau and Shandong Provincial Local Taxation Bureau Notice, Wanhua Chemical is recognised as a high-tech enterprise (Certificate No.: GR201737001423), which is recognised as valid for 3 years and enjoys the preferential income tax policy for high-tech enterprises for the period from 1 January 2017 to 31 December 2019. The Company’s high-tech qualification tax review is still in progress and is expected to be completed within 2020.

According to Guo Ke Huo Zi [2020] No.13 - “Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019”, issued by Torch High Technology Industry Development Center of Ministry of Science and Technology, Wanhua Chemical (Ningbo) Co., Ltd., a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100594) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to Guo Ke Huo Zi [2020] No.13 - “Reply on the Record of the First batch of High-tech Enterprises in Ningbo of 2019”, issued by Torch High Technology

Industry Development Center of Ministry of Science and Technology, Ningbo Rongwei, a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201933100463) with an effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2019 to 31 December 2021.

According to the “Notice on Publicising the First Batch of 2018 Proposed High and New Technology Enterprises in Guangdong Province” issued by the Leading Team Office for Management of National High-tech Enterprise Determination on 28 November 2018, Wanhua Guangdong, a subsidiary of Wanhua Chemical, is qualified for the high and new technology enterprise with an effective period of three years (Certificate No.: GR201844001177), and has been subject to the favorable enterprise income tax rate from 1 January 2018 to 31 December 2020.

According to Guo Ke Fa Huo [2016] No.32, Guo Ke Fa Huo [2016] No.195 – “About the Public of the List of the High and New Technology Enterprises in Beijing of 2017” issued by Department of Science and Technology of Beijing, Department of Finance of Beijing and State Administration of Taxation of Beijing, the subsidiary of the Company, Wanhua Beijing, a subsidiary of Wanhua Chemical, qualifies for the high and new technology enterprise (Certificate No.: GR201711002957) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2017 to 31 December 2019. The tax review of the Company’s high-tech status is still in progress and is expected to be completed within 2020.

Wanhua Singapore, a subsidiary of Wanhua Chemical, is entitled to enjoy 10% favorable tax rate, as it is included in global trading enterprises which are designated to engage in bulk commodity and product specific certification transactions under the support of Singapore Global Trade Plan.

According to local tax laws of Korea, calculation method for excess progressive of enterprise income tax is applied by Wanhua Chemical (Korea) Co., Ltd., a subsidiary

of Wanhua Chemical, tax rate for the part of taxable income less than KRW 200 million is 10%; tax rate for the part of taxable income more than KRW 200 million but less than KRW 20 billion is 20%; tax rate for the part of taxable income more than KRW 20 billion is 22%. The income tax rate for the year is 10%.

According to the Document No.2 of the State Administration of Taxation of 2019, from 1 January 2019 to 31 December 2021, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20%. Yantai Chenfeng Investment Co., Ltd., a subsidiary of Wanhua Chemical, satisfies the criteria of small and low-profit enterprise and are entitle to the tax preference.

As at 31 December 2019, Borsodchem Zrt. satisfied criteria for newly added jobs and project investments required by the government of Hungary and European Union, so the Company is entitled to relevant tax credits of EUR 97,285,100 (equivalent to approximately RMB 760,331,699) (which is finally determined by the actual amount of project investments) to the maximum extent; after deducting the utilized part, there is still EUR 82,410,052 (equivalent to approximately RMB 644,075,761) of tax credits not used yet. Borsodchem Zrt. can choose to utilize the tax credits after completion of the project and before maturity of the tax credit period. 80% taxes payable for the year can be exempted to the maximum extent every year.

2) According to the Certificate of High and New Technology Enterprise (Certificate No.: GR201737000969, validity period: 3 years) jointly issued by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, the State Taxation Bureau of Shandong Province and the Local Taxation Bureau of Shandong Province on 28 December 2017, Tayho Advanced Materials has gone through the filing procedures with the competent tax authorities for tax reduction after obtaining the recognition as a high-tech enterprise, and has been levied at a preferential income tax rate of 15% in 2019.

According to the Certificate of High and New Technology Enterprise (Certificate No.: GR201837000229, validity period: 3 years) jointly issued by the Department of Science and Technology of Shandong Province, the Department of Finance of Shandong Province, the State Taxation Bureau of Shandong Province and the Local Taxation Bureau of Shandong Province on 16 August 2018, Taipulong Manufacturing Company, a subsidiary of Tayho Advanced Materials, has gone through the filing procedures with the competent tax authorities for tax reduction after obtaining the recognition as a high-tech enterprise, and has been levied at a preferential income tax rate of 15% in 2019.

According to the article II of the Notice of the MOF and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (2019 No.2): from 1 January 2019 to 31 December 2021, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB 1 million but not exceeding RMB 3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%. For the portion of income not exceeding RMB1 million, Tayho Advanced Materials' subsidiary, Tayho Fashion Company shall be reduced by 25% of the taxable income, and for the portion of income exceeding RMB1 million but not exceeding RMB3 million, it shall be reduced by 50% of the taxable income and subject to corporate income tax at a rate of 20%.

The applicable corporate income tax rate of Ningxia Ningdong Tayho Company and Ningxia Tayho Aramid Company, subsidiaries of Tayho Advanced Materials, are both 15%. According to the Certificate of High and New Technology Enterprise (Certificate No.: GR201964000024, validity: 3 years) jointly issued by the Department of Science and Technology of Ningxia Hui Autonomous Region, the Department of Finance of Ningxia Hui Autonomous Region and the Taxation Bureau of Ningxia Hui Autonomous Region of the State Administration of Taxation on 16 September 2019, Ningxia Ningdong Tayho Company and Ningxia Tayho Aramid Company have

obtained the recognition of High and New Technology Enterprise and have applied to the competent taxation authorities for tax reduction and filing procedures, and pay enterprise income tax at a tax rate of 15% in 2019. According to Cai Shui [2018] No.76 - "Notice on Extending the Period of Carrying Forward Losses of High-tech Enterprises and Technology-based Small and Medium-sized Enterprises" issued by the MOF and the State Administration of Taxation, from 1 January 2018, the outstanding losses of the enterprises with the qualification of high-tech enterprises or technology-based small and medium-sized enterprises in the first five years of the qualification year are allowed to be carried forward to make up for the subsequent years. The longest period of carrying forward losses is extended from 5 years to 10 years.

According to the Notice of the MOF, the General Administration of Customs and the State Administration of Taxation on the Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (Cai Shui [2011] No.58), from 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to Ning Zheng Fa (2012) No.97 – "The Preferential Policies for Investment Promotion and Investment Promotion in Ningxia Hui Autonomous Region (Revised)", new industrial enterprises or new industrial projects belonging to the encouraged category enjoy preferential tax rates for western development. Besides, the local share of enterprise income tax would be exempted from the first year to the third year from the tax year of the first income; the local share of enterprise income tax would be reduced by half from the fourth to the sixth years. Ningdong Tayho, Ningxia Ningdong Tayho Company and Ningxia Tayho Aramid Company meet the qualification of enterprises attracting investment and are encouraged industrial enterprises. The enterprise income tax rate is reduced to 15%, and the local share of enterprise income tax is exempted from the first year to the third year, and the local share part of enterprise income tax would be reduced by half from the fourth to the sixth year.

3) In December 2017, Moon Environment was approved by Shandong Provincial Department of Science and Technology and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The high-tech enterprise qualification certificate number is GR201737001277, which is valid from January 2017 to December 2019.

Shandong Lushang Moon Architecture Design Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in December 2016 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The high-tech enterprise qualification certificate number is GR201637000785, which is valid from January 2017 to December 2019.

Beijing Huayuan Taimeng Energy-Saving Equipment Co., Ltd., a subsidiary of Moon Environment, was approved by Beijing Municipal Science and Technology Commission in July 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201811000514, which is valid from January 2018 to December 2020.

Shandong Shenzhou Refrigeration Equipment Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in November 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837001293, which is valid from January 2018 to December 2020.

Dunham-Bush (China) Industry Co., Ltd., a subsidiary of Moon Environment, was approved by Shandong Provincial Department of Science and Technology in August 2018 and publicly recognised as a high-tech enterprise, enjoying a preferential income tax rate of 15%. The qualification certificate number of high-tech enterprise is GR201837000346, which is valid from January 2018 to December 2020.

4) Wanhua Energy Saving obtained the certificate of high-tech enterprise on 15 December 2016, which is valid for three years; Wanhua Energy Saving (Yantai) Environmental Protection Technology Co., Ltd. and Wanhua Construction Technology (Yantai) Co., Ltd. obtained the certificate of high-tech enterprise on 30 November 2018 and 28 December 2017 respectively, which are both valid for three years. According to the Enterprise Income Tax Law and its implementing regulations, the enterprise income tax is calculated and paid at the reduced tax rate of 15% in the period. All the expired certificates mentioned above have been applied for re-application.

5) Yantai Ishikawa Sealing Technology Co., Ltd., a subsidiary of Yantai Mingxiang Holdings Co., Ltd., continued to pass the high-tech enterprise identification in 2017 and enjoyed the preferential income tax rate of 15% from 1 January 2017 to 31 December 2019.

6) MetaStar Company obtained the high-tech enterprise certificate jointly issued by Shandong Provincial Department of Science and Technology, Shandong Provincial Department of Finance, Shandong Provincial State Administration of Taxation and Shandong Local Taxation Bureau on 10 December 2015. The certificate number is GF201537000270, which is valid for 3 years. After the review expires on 16 August 2018, MetaStar Company continue to obtain the high-tech enterprise certificate with the certificate number of GR201837000383. The expiration date is 16 August 2021, and MetaStar Company pays the enterprise income tax at the preferential tax rate of 15%.

7) Yantai Guosheng Investment Management Co., Ltd, a subsidiary of Yantai Guosheng Investment Holding Co., Ltd. (hereinafter referred to as "Guosheng Investment Company") satisfies the criteria of the Notice of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Cai Shui [2019] No.13) issued by the MOF, for small low-profit enterprises, the portion of taxable income not exceeding RMB 1 million is subject to

25% reduction and applies enterprise income tax rate of 20%.

(2) Value-added tax (VAT)

1) Tayho Advanced Materials and MetaStar Company implement the policy of “exemption, offset and refund” for export commodities.

According to the Announcement of the MOF, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform [2019] No.39: For export goods and services with 16% tax rate and 16% export tax rebate rate, the export tax rebate rate shall be adjusted to 13%; For export goods and cross-border taxable activities that were originally subject to 10% tax rate and 10% export tax rebate rate, the export tax rebate rate would be adjusted to 9%.

Before 30 June 2019 (including on 1 April 2019), taxpayers exporting goods involved services and has cross-border taxable behavior mentioned in the preceding paragraph, where the method of “exemption and refund” for VAT is applicable, if VAT has been collected at the rate before the adjustment at the time of purchase, the export rebate rate before the adjustment shall be implemented, and if VAT has been collected at the rate after the adjustment at the time of purchase, the export rebate rate after the adjustment shall be implemented; Where the method of “exemption, offset and refund” for VAT is applicable, the export tax rebate rate before adjustment shall be implemented. In the calculation of tax exemption for VAT, if the applicable tax rate is lower than the export tax rebate rate, the difference between the applicable tax rate and the export tax rebate rate shall be deemed as zero for the calculation of tax exemption for VAT. As of 31 December 2019, the Company’s export tax rebate rate is 13%.

2) Wanhua Construction Technology (Yantai) Co., Ltd. enjoys a 50% instant VAT ‘levy and refund’ policy on the sale of self-produced new wall material products. According to the Catalogue of Preferential VAT on Products and Services for Comprehensive Utilization of Resources (Cai Shui [2015] No.73), “the policy of 50%

instant ‘levy and refund’ of VAT realised from the sale of the following self-produced goods: (vi) some new wall material products. The specific scope shall be implemented in accordance with the Catalogue of New Wall Materials Enjoying the Policy of Instant ‘Levy and Refund’ of VAT” annexed to this Circular: “IV. Concrete bricks, sintered thermal insulation bricks (blocks), hollow steel mesh internal mold partitions, composite thermal insulation bricks (blocks), precast composite wall panels (bodies), polyurethane rigid foam composite board and building wall made of special polyurethane in accordance with national standards, industrial standards and local standards.

(3) The other major preferential tax benefits

According to the notice on issues related to urban land use tax of high tech enterprises (Lu Cai Shui [2019] No.5) (valid until 26 January 2022): high tech enterprises identified before 31 December 2018 shall pay urban land use tax at 50% of the current standard from 1 January 2019. Tayho Advanced Materials and MetaStar Company would pay 50% of urban land use tax in 2019.

According to Ning Di Shui Fa [2015] No.102 “the notice of the Local Taxation Bureau of the Autonomous Region on the Implementation of Preferential Tax Policies for Accelerating the Opening up of Ningxia Construction”, for the newly established industries that are invested in Ningxia and are engaged in the development that is not restricted or encouraged by the state, the self-used urban land and self-used house property are entitled to the land use tax and house property tax preference of “3-year tax exemption followed by 3-year tax 50%-reduction”. Relevant tax deduction and exemption record registration have been processed, Ningxia Ningdong Tayho Company and Ningxia Tayho Aramid Company are applicable to the above provisions and the land use tax and house property tax of own-used part have been exempted.

According to the Notice of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises (Lu Cai Shui [2019] No.6):

resource tax, urban maintenance and construction tax, house property tax, urban land use tax and stamp duty (excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. Taixiang Investment Company adopts this policy paying urban maintenance and construction tax, urban land use tax, stamp duty, educational surcharges and local education surcharges at 50% of the applicable tax rate in 2019.

V. NOTES TO THE COSOLIDATED FINANCIAL STATEMENTS

The financial statements disclosed below, unless otherwise stated, the end of the period (or closing) refers to 31 December 2019 and the beginning of the year (or opening) refers to 31 December 2018. The current period refers to 1 January 2019 to 31 December 2019 and the prior period is from 1 January 2018 to 31 December 2018. The financial statements are presented in RMB.

1. Cash and bank balances

Item	Closing balance	Opening balance
Cash on hand	2,146,298.21	4,017,081.12
Bank balances	7,515,002,489.86	7,848,363,442.09
Other currency funds	415,599,621.80	1,589,284,500.98
Total	7,932,748,409.87	9,441,665,024.19
Including: cash and bank balances deposited overseas	1,062,865,400.50	2,962,734,668.61

The restricted currency funds details are as follows:

Item	Closing balance	Opening balance
Deposits for issuing bank acceptance bills	132,937,100.98	1,102,531,740.92

Deposits for land reclamation	6,436,854.50	17,607,255.17
Deposits for letter of credit, LPG paper deposits and procurement deposits	50,155,584.00	29,797,446.75
Deposit for letter of guarantee	37,523,505.30	10,453,043.54
Deposits for product registration, tax authorities and railway authorities	12,238,678.87	11,998,026.97
Deposits for borrowings	2,720,000.00	10,000.00
The court freezes funds	30,000,000.00	
Deposit of notes pool		2,770,390.00
Deposits for workers' salary	454,302.25	
Deposit for account opening	10,000.00	10,000.00
Total	272,476,025.90	1,175,177,903.35

2. Financial assets held for trading

Item	Closing balance
Financial assets at fair value through profit or loss	962,909,325.86
Including: Investment in debt instrument	956,128,755.30
Investment in equity instrument	6,780,570.56
Others	
Designated as financial assets at fair value through profit or loss	
Including: Investment in debt instrument	
Investment in equity instrument	
Others	
Total	962,909,325.86

3. Financial assets at fair value through profit or loss

Item	Closing balance	Opening balance
Financial assets held for trading	37,807,448.91	93,352,010.33
Including: Investment in debt instrument		2,061,967.33
Investment in equity instrument	37,807,448.91	87,548,171.70

Others		3,741,871.30
Designated as financial assets at fair value through profit or loss	1,664,000,000.00	80,000,000.00
Including: Investment in debt instrument		
Investment in equity instrument		
Others	1,664,000,000.00	80,000,000.00
Total	1,701,807,448.91	173,352,010.33

4. Derivative financial assets

Item	Closing balance	Opening balance
Multi-currency interest rate swap contract	56,232,522.50	108,787,119.90
Foreign exchange swap contract	2,461,882.50	
Total	58,694,405.00	108,787,119.90

5. Notes receivable

(1) Categories of notes receivable:

Category	Closing balance	Opening balance
Bank acceptance bills	960,242,758.81	10,384,823,413.46
Commercial acceptance bills	8,827,501.01	15,532,599.68
Total	969,070,259.82	10,400,356,013.14

(2) Notes receivables have been pledged by the Company at the end of the year:

Item	Pledged amount at the end of the year
Bank acceptance bills	133,080,259.84
Total	133,080,259.84

(3) Notes receivable that have been endorsed or discounted on the balance sheet date but not overdue:

Item	Amount of derecognised at the	Amount of non-derecognised at
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

	end of the period	the end of the period
Bank acceptance bills	1,563,827,342.68	17,190,090.81
Commercial acceptance bills		1,240,000.00
Total	1,563,827,342.68	18,430,090.81

(4) At the end of the period, no notes receivables were transferred to accounts receivable by the Company due to the non-performance of the drawer.

(5) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis					
Provision for bad debt on a collective basis	971,321,222.12	100.00	2,250,962.30	0.23	969,070,259.82
Total	971,321,222.12	100.00	2,250,962.30	0.23	969,070,259.82

(Continued)

Category	Opening balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis					
Provision for bad debt on a collective basis	10,402,413,774.96	100.00	2,057,761.82	0.02	10,400,356,013.14
Total	10,402,413,774.96	100.00	2,057,761.82	0.02	10,400,356,013.14

1) Provision for bad debt on a collective basis

Item	Closing balance		
	Notes receivable	Provision for bad debt	Proportion of provision (%)
Risk free portfolio	923,640,711.15		
Bank acceptance bill portfolio with lower risk	38,528,471.22	1,926,423.56	5.00
Commercial acceptance bill portfolio	9,152,039.75	324,538.74	3.55
Total	971,321,222.12	2,250,962.30	0.23

(6) Movements in the provision for bad debt of notes receivable

Category	Opening balance	Changes during the reporting period			Closing balance
		Provision	Recovery or reversals	Written off	
Provision for bad debt on a collective basis	2,057,761.82	547,334.05	354,133.57		2,250,962.30
Total	2,057,761.82	547,334.05	354,133.57		2,250,962.30

(7) There were no notes receivable actually written off in 2019.

6. Accounts receivable

(1) Disclosed by aging

Aging	Closing book balance
Within 1 year (including 1 year)	6,118,788,377.72
1 to 2 years	385,521,348.13
2 to 3 years	145,321,972.21
Over 3 years	230,626,094.90
Total	6,880,257,792.96

(2) Disclosed by method of determining provision for bad debt provision

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	178,255,992.24	2.59	50,457,078.36	28.31	127,798,913.88
Provision for bad debt on a collective basis	6,702,001,800.72	97.41	657,588,205.76	9.81	6,044,413,594.96
Including: Provision for bad debt is made based on aging	1,884,783,067.48	27.39	273,447,082.15	14.51	1,611,335,985.33
Provision for bad debt is made based on overdue aging	4,817,218,733.24	70.02	384,141,123.61	7.97	4,433,077,609.63
Total	6,880,257,792.96	100.00	708,045,284.12	10.29	6,172,212,508.84

1) Provision for bad debt on an individual basis

Content of accounts receivable	Closing balance			
	Book balance	Provision for bad debt	Proportion of provision (%)	Reasons of provision
Company 1	6,092,564.50	6,092,564.50	100.00	Disputes exist and the low probability of recovery
Company 2	4,178,230.48	4,178,230.48	100.00	Disputes exist and the low probability of recovery
Company 3	4,165,228.27	4,165,228.27	100.00	Disputes exist and the low probability of recovery
Company 4	3,685,843.83	3,685,843.83	100.00	Disputes exist and the low probability of recovery
Company 5	2,801,567.50	2,801,567.50	100.00	Disputes exist and the low probability of recovery
Company 6	2,044,118.50	2,044,118.50	100.00	Disputes exist and the low probability of recovery
Company 7	1,998,974.99	1,998,974.99	100.00	Disputes exist and the low probability of recovery
Company 8	1,868,962.00	1,868,962.00	100.00	Disputes exist and the low probability of recovery

Company 9	1,445,761.00	1,445,761.00	100.00	Disputes exist and the low probability of recovery
Company 10	1,424,683.50	1,424,683.50	100.00	Disputes exist and the low probability of recovery
Others	148,550,057.67	20,751,143.79	13.97	
Total	178,255,992.24	50,457,078.36	28.31	

2) Provision for bad debt on a collective basis

(a) Provision for bad debt is made based on aging:

Aging	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision (%)
Within 1 year	1,210,549,668.63	60,518,293.55	5.00
1 to 2 years	340,070,452.63	34,047,604.87	10.01
2 to 3 years	143,903,930.25	29,221,222.53	20.31
Over 3 years	190,259,015.97	149,659,961.20	78.66
Total	1,884,783,067.48	273,447,082.15	14.51

(b) Provision for bad debt is made based on overdue aging:

Aging	Closing balance		
	Book balance	Provision for bad debt	Proportion of provision (%)
Not overdue	4,267,403,504.52	214,005,425.04	5.01
Overdue 1-30 days	337,914,250.51	53,433,696.18	15.81
Overdue 31-60 days	131,486,772.18	46,584,080.93	35.43
Overdue 61-90 days	17,282,489.95	6,986,205.38	40.42
Overdue over 91 days (inclusive)	63,131,716.08	63,131,716.08	100.00
Total	4,817,218,733.24	384,141,123.61	7.97

(3) Movements in the provision for bad debt of account receivables

Category	1 January 2019	Changes during the reporting period				31 December 2019
		Provision	Recovery or reversals	Written off	Differences arising on translation of financial statements denominated in foreign currencies	
Provision for bad debt on an individual basis	12,516,353.71	38,240,452.75	299,728.10			50,457,078.36
Provision for bad debt on a collective basis	626,630,564.03	359,997,290.94	326,643,421.42	2,471,846.20	75,618.41	657,588,205.76
Total	639,146,917.74	398,237,743.69	326,943,149.52	2,471,846.20	75,618.41	708,045,284.12

(4) Actual write-off of accounts receivable for the year:

Item	Amount
Actual write-off of accounts receivable	2,471,846.20

(5) Top five accounts receivable in terms of the closing balance collected by debtors

For period ended 31 December 2019, the top five accounts receivable in terms of the closing balance collected by debtors hold the balance of RMB 566,734,908.41, which accounts for 8.24% of total amount receivable balance. The corresponding aggregate closing balance of provision for bad debts is RMB 36,083,287.30.

(6) There were no accounts receivable derecognised due to the transfer of financial assets in the period.

(7) There were no transfer of accounts receivable and the amount of assets and liabilities arising from continuing involvement in the period.

7. Receivables financing

Category	Closing balance
Bank acceptance bills	3,352,970,622.86
Commercial acceptance bills	618,760,383.67
Total	3,971,731,006.53

Note: As at 31 December 2019, RMB 2,501,568,388.38 of notes receivable was used by Wanhua Chemical for a pledge to receive bank loans, opening acceptance bills, letter of credit.

8. Prepayments

(1) Presentation of prepayments by aging:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	747,273,779.38	96.73	699,581,594.58	95.88
1 to 2 years	14,460,567.02	1.87	21,578,654.10	2.96
2 to 3 years	4,045,859.01	0.52	3,629,523.51	0.50
Over 3 years	6,801,375.28	0.88	4,820,466.95	0.66
Total	772,581,580.69	100.00	729,610,239.14	100.00

(2) Top five prepayments in terms of the closing balance collected by prepaid objects:

As at 31 December 2019, top five prepayments in terms of closing balance collected by prepaid objects amounted to RMB 311,431,704.05, accounting for 40.31% of the total closing balance of prepayments.

9. Other receivables

Item	Closing balance	Opening balance
Interests receivable	82,312,644.19	74,181,482.31
Dividends receivable		
Other receivables	6,286,984,626.19	4,585,612,087.96

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Total	6,369,297,270.38	4,659,793,570.27
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(1) Interests receivable

1) Categories of interest receivable:

Item	Closing balance	Opening balance
Multi-currency interest rate swap	13,528,630.50	41,559,300.80
Interests on borrowings	26,281,016.63	27,436,933.10
Interests on term deposits	42,160,384.43	4,529,526.93
Others	342,612.63	655,721.48
Total	82,312,644.19	74,181,482.31

(2) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	2,494,475,901.58
1 to 2 years	913,745,781.00
2 to 3 years	107,808,757.17
Over 3 years	3,018,092,494.51
Total	6,534,122,934.26

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	5,844,500,264.34	4,156,851,509.85
VAT refund receivables	278,295,748.22	166,778,666.90
Security deposits and deposits	123,011,886.31	77,783,764.92
Land transaction fees and interests	82,842,573.15	80,842,573.15
Export tax refunds	80,583,037.97	98,679,583.57
Project purchase funds refundable	64,790,077.05	

Petty cash	5,338,187.60	5,771,255.32
Others	54,761,159.62	26,253,534.04
Total	6,534,122,934.26	4,612,960,887.75

3) Disclosed by method of determining provision for bad debt provision

Category	Closing balance				
	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debt on an individual basis	5,913,938,684.13	90.51	101,067,101.10	1.71	5,812,871,583.03
Provision for bad debt on a collective basis	620,184,250.13	9.49	146,071,206.97	23.55	474,113,043.16
Including: Provision for bad debt is made based on aging	620,184,250.13	9.49	146,071,206.97	23.55	474,113,043.16
Total	6,534,122,934.26	100.00	247,138,308.07	3.78	6,286,984,626.19

4) Movements in the provision for bad debt of other receivables

Category	1 January 2019	Changes during the reporting period			31 December 2019
		Provision	Increase of change in consolidation scope	Written off	
Provision for bad debt on an individual basis	303,079.22	100,855,258.22	91,236.34		101,067,101.10
Provision for bad debt on a collective basis	25,627,864.29	120,463,730.23		20,387.55	146,071,206.97
Total	25,930,943.51	221,318,988.45	91,236.34	20,387.55	247,138,308.07

5) Other receivables written off in the reporting period:

Item	Amount
Other receivables actually written off	20,387.55

6) Top five other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Company 11	Current accounts	2,700,027,465.00	Over 5 years	41.32	
Company 12	Current accounts	1,500,000,000.00	Within 1 year	22.96	
Company 13	Current accounts	726,873,480.30	Within 1 year: 27,066,411.85; 1 to 2 years: 699,807,068.45	11.12	
Company 14	Current accounts	330,000,000.00	Within 1 year	5.05	
Company 15	VAT refund receivables	251,218,573.19	Within 1 year	3.84	
Total		5,508,119,518.49		84.29	

- 7) There were no other receivables related to government grants in the period.
- 8) There were no other receivables derecognised due to the transfer of financial assets.
- 9) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

10. Inventories

(1) Categories of inventories:

Item	Closing balance			Opening balance		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Raw materials	2,635,054,880.95	42,495,937.59	2,592,558,943.36	2,820,430,230.02	66,405,421.50	2,754,024,808.52
Work-in-progress	2,021,781,863.03	223,771.24	2,021,558,091.79	1,708,348,756.99	232,224.77	1,708,116,532.22
Finished goods	4,934,175,782.51	34,925,842.84	4,899,249,939.67	5,530,306,315.45	44,628,659.20	5,485,677,656.25

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Consigned processing material	6,179,556.48		6,179,556.48	77,983,567.59		77,983,567.59
Turnover materials	33,769.28		33,769.28	51,411,650.83		51,411,650.83
Engineering Construction	139,515,098.61		139,515,098.61	108,659,027.55		108,659,027.55
Properties under development (Note)	294,269,609.61		294,269,609.61	235,386,945.38		235,386,945.38
Goods in transit	54,440,846.15		54,440,846.15	11,720,646.43		11,720,646.43
Others	21,263,671.61	26,378.40	21,237,293.21	18,208,481.46	60,176.92	18,148,304.54
Total	10,106,715,078.23	77,671,930.07	10,029,043,148.16	10,562,455,621.70	111,326,482.39	10,451,129,139.31

Note: As at 31 December 2019, the inventories with book value of RMB 106,494,003.00 were mortgaged by Wanhua Chemical to banks for borrowings.

(2) Provision for inventory write-down

Item	Opening balance	Increase during the year		Decrease during the period		Foreign currency translation of financial statements	Closing balance
		Provision	Other	Reversal	Written off		
Raw materials	66,405,421.50	9,445,325.31	33,937,637.46	2,394,157.93	2,976,986.17	42,495,937.59	
Work-in-progress	232,224.77	56,457.11	121,953.96		57,043.32	223,771.24	
Finished goods	44,628,659.20	23,976,142.27	1,866,268.18	26,834,926.44	4,977,764.01	34,925,842.84	
Others	60,176.92	401.98		34,200.50		26,378.40	
Total	111,326,482.39	33,478,326.67	35,925,859.60	29,263,284.87	1,943,734.52	77,671,930.07	

11. Held-for-sale assets

Category	Closing balance	Fair value	Estimated time of disposal
Machinery and equipment	11,217,184.31	13,420,000.00	May 2020

Total	11,217,184.31	13,420,000.00
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Note: In August 2019, Yantai Moon Refrigeration and Air Conditioning Energy Saving Service Co., Ltd., a subsidiary of Moon Environment, signed a contract with Anze County Jingyue New Energy Technology Co., Ltd. to transfer the equipment in the energy management project under the contract. As of the balance sheet date, RMB 10,670,000.00 has been received for the transferred equipment, and the handover of equipment is in progress.

12. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	956,262,485.05	456,142,758.43
Prepaid enterprise income tax	82,673,140.97	176,610,639.02
Prepaid other taxes	1,125,323.25	2,975,727.15
Financial products	142,640,000.00	1,099,439,000.00
Entrusted loans	359,150,000.00	117,945,206.90
Input tax to be certified	341,719.77	953,963.18
Others	38,038,828.55	35,759,232.66
Total	1,580,231,497.59	1,889,826,527.34

13. Debt investments

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Central power construction bond	50,000.00		50,000.00
Total	50,000.00		50,000.00

14. Available-for-sale financial assets

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Available-for-sale debt instruments:			
Available-for-sale equity instruments:	4,824,305,259.85	20,433,824.16	4,803,871,435.69
At fair value	2,310,496.00		2,310,496.00
At cost	4,821,994,763.85	20,433,824.16	4,801,560,939.69
Total	4,824,305,259.85	20,433,824.16	4,803,871,435.69

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment losses	Book value
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	812,694,794.53	10,200,000.00	802,494,794.53
At fair value	269,490,491.01		269,490,491.01
At cost	543,204,303.52	10,200,000.00	533,004,303.52
Total	812,694,794.53	10,200,000.00	802,494,794.53

15. Held-to-maturity investments

Item	Closing balance		
	Book balance	Provision for impairment losses	Book value
Total			

(Continued)

Item	Opening balance		
	Book balance	Provision for impairment losses	Book value
Central power construction bond	50,000.00		50,000.00
Total	50,000.00		50,000.00

16. Long-term receivables

Details of long-term receivables:

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Finance leases	146,129,219.57		146,129,219.57	494,457,284.60		494,457,284.60	
Including: unearned finance income	13,755,820.97		13,755,820.97	22,988,786.37		22,988,786.37	
Installment collection for sale of goods	5,167,343.54	1,816,000.00	3,351,343.54	6,585,140.02		6,585,140.02	
Staff housing loans (Note)	594,513,105.17		594,513,105.17	461,135,538.77		461,135,538.77	
Others	352,177,228.15		352,177,228.15	12,692,909.05		12,692,909.05	
Total	1,084,231,075.46	1,816,000.00	1,082,415,075.46	951,882,086.07		951,882,086.07	

Note: According to “The Measures of Staff Housing Loans of Wanhua Chemical Group Co., Ltd.”, each employee is granted a housing loan of RMB 100,000, RMB 150,000 or RMB 200,000 with a maturity of seven, ten or twelve years respectively if certain conditions are met. Interest is calculated at the bank loan rate of interest over the same period. Wanhua Chemical is responsible for the interests and withholding individual income tax for the staff.

There are no long-term receivable derecognised due to the transfer of financial assets in the reporting period; no transfer of long-term receivable and the amount of assets and liabilities arising from continuing involvement.

17. Long-term equity investments

Investee	Opening balance	Movement of the current year				
		Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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I. Subsidiaries						
Yantai Security Service Co., Ltd.	73,182,500.00		73,182,500.00			
Subtotal	73,182,500.00		73,182,500.00			
II. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	304,235,802.22			2,170,365.70		
UI Wanhua (Yantai) Peroxide Co., Ltd.	15,601,251.06		15,600,661.12	73,965.31		-74,555.25
Ningbo Xiebei Thermal Power Co., Ltd.	227,898,985.42			60,750,076.19		
Hangzhou Zhekai Engineering Technology Co., Ltd				3,504.02		
Yantai Hyundai MOON Heavy Industry Co., Ltd.				11,209,921.18	167,010.60	
Yantai Tayho Engineering Materials Co., Ltd.	5,170,017.65			417,722.52		
Subtotal	552,906,056.35		15,600,661.12	74,625,554.92	167,010.60	-74,555.25
III. Associates						
Linde Gas (Yantai) Co., Ltd.	85,626,926.49	4,500,000.00		2,208,538.01		46,640.50
Yantai Bulk Commodity Exchange Center	9,411,215.88			-139,564.39		
Yantai Wanhua Chlor-Alkali Co., Ltd.	64,922,567.92			22,662,713.91		
IBI Chematur (Engineering&Consultancy) Ltd.				314,423.60		
Wanhua Ecoboard Co., Ltd.	48,930,974.03			-48,817,247.28		-113,726.75
Wanhua New Materials Co., Ltd.		25,500,000.00		1,770,907.71		
Gansu Wanhua Green Building Materials Technology Co., Ltd.		500,000.00		-105,816.43		
Yantai International Conference &	13,303,476.87			-1,641,341.74		

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Exhibition Center Co., Ltd.						
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.	13,942,420.94			934,735.51		
Yantai Cultural Development Investment Fund Co., Ltd.	17,962,573.00			332,251.82		
Yantai Polaris Co., Ltd.	576,659.02			1,566,649.90		19,844.59
JCC Guoxing (Yantai) Copper Co., Ltd.				-976,507.52		
Yantai Penghui Copper Industry Co., Ltd.	85,590,000.00		85,590,000.00			
Yantai Guotai Ruifeng Investment Co., Ltd.		400,000.00		6,453.16		
Yantai Guoxin Ruifeng Assets Management Co., Ltd.		34,000,000.00		2,747,705.54		
Cabero Heat Exchanger Yantai Co., Ltd.				9,444,979.52		
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	6,279,404.47			669,167.79		
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	127,744,408.97			7,668,744.19	2,661.32	
Linyi Smart New Energy Technology Co., Ltd.	967,712.76			-476,645.69		
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	1,401,037.87			-638,086.07		95,103.40
Yantai MetaStar Special Paper Co., Ltd.	122,039,603.82	37,757,300.80		14,187,828.78		
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	42,166.42	200,000.00		-66,481.09		
Ningbo Meishan Bonded Port Area	49,246,297.54			-341,775.57		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Kangshun Equity Investment Partnership (Limited Partnership)						
Subtotal	647,987,446.00	102,857,300.80	85,590,000.00	11,311,633.66	2,661.32	47,861.74
Total	1,274,076,002.35	102,857,300.80	174,373,161.12	85,937,188.58	169,671.92	-26,693.51

(Continued)

Investee	Movement of the current year			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
I. Subsidiaries					
Yantai Security Service Co., Ltd.					
Subtotal					
II. Joint Ventures					
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.				306,406,167.92	
UI Wanhua (Yantai) Peroxide Co., Ltd.					
Ningbo Xiebei Thermal Power Co., Ltd.	63,800,000.00			224,849,061.61	
Hangzhou Zhekai Engineering Technology Co., Ltd			700,953.45	704,457.47	
Yantai Hyundai MOON Heavy Industry Co., Ltd.			114,140,091.56	125,517,023.34	
Yantai Tayho Engineering Materials Co., Ltd.				5,587,740.17	
Subtotal	63,800,000.00		114,841,045.01	663,064,450.51	
III. Associates					
Linde Gas (Yantai) Co., Ltd.				92,382,105.00	
Yantai Bulk Commodity Exchange Center				9,271,651.49	
Yantai Wanhua Chlor-Alkali Co., Ltd.	5,280,000.00			82,305,281.83	
IBI Chematur (Engineering&Consultancy) Ltd.			1,353,930.15	1,668,353.75	
Wanhua Ecoboard Co., Ltd.					

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Wanhua New Materials Co., Ltd.				27,270,907.71	
Gansu Wanhua Green Building Materials Technology Co., Ltd.				394,183.57	
Yantai International Conference & Exhibition Center Co., Ltd.				11,662,135.13	
Yantai Zhifu District Guomin Private Capital Management Co., Ltd.				14,877,156.45	
Yantai Cultural Development Investment Fund Co., Ltd.				18,294,824.82	
Yantai Polaris Co., Ltd.				2,163,153.51	
JCC Guoxing (Yantai) Copper Co., Ltd.			170,919,769.45	169,943,261.93	
Yantai Penghui Copper Industry Co., Ltd.					
Yantai Guotai Ruifeng Investment Co., Ltd.				406,453.16	
Yantai Guoxin Ruifeng Assets Management Co., Ltd.				36,747,705.54	
Cabero Heat Exchanger Yantai Co., Ltd.	7,208,302.57		18,747,448.33	20,984,125.28	
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.				6,948,572.26	
Qingdao Daneng Environmental Protection Equipment Co., Ltd.				135,415,814.48	
Linyi Smart New Energy Technology Co., Ltd.				491,067.07	
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.				858,055.20	
Yantai MetaStar Special Paper Co., Ltd.			-173,984,733.40		
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.				175,685.33	
Ningbo Meishan Bonded Port Area Kangshun Equity Investment Partnership (Limited Partnership)				48,904,521.97	
Subtotal	12,488,302.57		17,036,414.53	681,165,015.48	
Total	76,288,302.57		131,877,459.54	1,344,229,465.99	

18. Investments in other equity instruments

Item	Closing balance	Opening balance
Non-tradable investments in equity instruments	340,045,046.69	
Total	340,045,046.69	

19. Other non-current financial assets

Item	Closing balance	Opening balance
Available-for-sale equity instruments	484,642,567.63	
Total	484,642,567.63	

20. Investment properties

(1) Subsequent measurement under the cost model:

Item	Buildings	Land use rights	Total
I. Book balance			
1. Opening balance	173,329,901.64	423,690,069.25	597,019,970.89
2. Increase in the current period	89,281,021.41		89,281,021.41
(1) Purchase	89,281,021.41		89,281,021.41
3. Decrease in the current period	107,466,295.77		107,466,295.77
(1) Disposals	107,466,295.77		107,466,295.77
4. Closing balance	155,144,627.28	423,690,069.25	578,834,696.53
II. Accumulated depreciation and amortisation			
1. Opening balance	85,478,805.49	84,337,691.54	169,816,497.03
2. Increase in the current period	31,835,592.35	6,711,780.15	38,547,372.50
(1) Provisions	19,322,251.55	6,711,780.15	26,034,031.70
(2) Others	12,513,340.80		12,513,340.80
3. Decrease in the current period	61,618,593.11		61,618,593.11
(1) Disposals	61,618,593.11		61,618,593.11
4. Closing balance	55,695,804.73	91,049,471.69	146,745,276.42

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI CUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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III. Provision for impairment			
1. Opening balance		158,201,155.96	158,201,155.96
2. Increase in the current period			
(1) Provisions			
3. Decrease in the current period			
(1) Disposals			
4. Closing balance		158,201,155.96	158,201,155.96
IV. Book value			
1. Closing book value	99,448,822.55	174,439,441.60	273,888,264.15
2. Opening book value	87,851,096.15	181,151,221.75	269,002,317.90

(2) There is no subsequent measurement under the fair value model.

(3) Investment properties of which certificates of the title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Buldings	7,983,026.70	In process
Land use rights	927,694.59	In process
Total	8,910,721.29	

21. Fixed assets

Item	Closing book value	Opening book value
Fixed assets	41,518,513,215.24	39,841,909,612.34
Fixed assets pending for disposal	26,366,701.11	1,713,379.79
Total	41,544,879,916.35	39,843,622,992.13

(1) Details of fixed assets:

Item	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment and others	Lands (Note 1)	Total
I. Book balance						

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1. Opening balance	12,697,202,351.75	52,325,701,887.06	249,104,118.43	561,086,516.25	403,126,964.14	66,236,221,837.63
2. Increase in the current period	1,853,470,170.05	4,765,266,475.42	55,650,713.66	195,904,220.41	68,965,769.18	6,939,257,348.72
(1) Additions	549,617,517.52	848,173,267.11	31,260,521.87	133,049,562.55	66,867,971.91	1,628,968,840.96
(2) Transfers from construction in progress	1,266,728,387.56	3,749,432,474.33	23,981,283.14	61,937,788.61	1,570,915.50	5,103,650,849.14
(3) Changes in the scope of consolidation	37,124,264.97	167,660,733.98	408,908.65	859,432.78		206,053,340.38
(4) Others				57,436.47	526,881.77	584,318.24
3. Decrease in the current period	345,188,488.04	556,058,799.73	15,505,659.82	26,649,659.03		943,402,606.62
(1) Disposals or retirement	327,715,559.69	555,859,799.73	15,315,653.73	26,524,997.56		925,416,010.71
(2) Disposal of subsidiaries			190,006.09	80,302.50		270,308.59
(3) Other decreases	17,472,928.35	199,000.00		44,358.97		17,716,287.32
4. Exchange differences arising on translation of financial statements	-17,997,754.64	-38,243,987.89	-79,782.94	-314,549.20	790,895.36	-55,845,179.31
5. Closing balance	14,187,486,279.12	56,496,665,574.86	289,169,389.33	730,026,528.43	472,883,628.68	72,176,231,400.42
II. Accumulated depreciation						
1. Opening balance	3,948,383,073.73	21,669,029,583.03	152,985,002.04	426,087,507.47		26,196,485,166.27
2. Increase in the current period	551,717,966.61	4,192,792,352.68	25,661,154.31	46,439,910.99		4,816,611,384.59
(1) Depreciation accrued during the period	541,252,386.60	4,102,237,408.68	25,657,574.82	46,387,290.75		4,715,534,660.85
(2) Changes in the scope of consolidation	10,465,580.01	90,554,944.00	3,579.49	52,620.24		101,076,723.74

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3. Decrease in the current period	135,438,116.31	366,491,076.35	11,204,839.46	23,592,990.20		536,727,022.32
(1) Disposals or retirement	121,441,353.74	366,302,026.35	11,189,797.31	23,552,019.29		522,485,196.69
(2) Disposal of subsidiaries	11,741,905.26	189,050.00	15,042.15	5,560.29		11,951,557.70
(3) Others	2,254,857.31			35,410.62		2,290,267.93
4. Exchange differences arising on translation of financial statements	-2,781,882.88	-14,237,650.61	66,280.78	-82,348.72		-17,035,601.43
5. Closing balance	4,361,881,041.15	25,481,093,208.75	167,507,597.67	448,852,079.54		30,459,333,927.11
III. Provision for impairment losses						
1. Opening balance	25,177,896.42	172,565,906.97	58,714.84	24,540.79		197,827,059.02
2. Increase in the current period	1,010,186.44	1,168,249.28				2,178,435.72
(1) Impairment accrued during the period	1,010,186.44	1,168,249.28				2,178,435.72
3. Decrease in the current period		1,628,488.93				1,628,488.93
(1) Disposals or retirement		1,628,488.93				1,628,488.93
4. Exchange differences arising on translation of financial statements	7,252.26					7,252.26
5. Closing balance	26,195,335.12	172,105,667.32	58,714.84	24,540.79		198,384,258.07
IV. Book value						
1. Closing book value	9,799,409,902.85	30,843,466,698.79	121,603,076.82	281,149,908.10	472,883,628.68	41,518,513,215.24
2. Opening book value	8,723,641,381.60	30,484,106,397.06	96,060,401.55	134,974,467.99	403,126,964.14	39,841,909,612.34

1) *Note 1*: The freehold lands of DBH UK, an overseas subsidiary of Moon Environment and the freehold lands in the USA, Hungary and Czech Republic owned by an overseas subsidiary of Wanhua Chemical, are stated as fixed assets.

2) Description of fixed assets:

As at 31 December 2019, machinery and equipment with book value of RMB 5,958,142,550.56 were pledged by Wanhua Chemical to acquire bank loans.

As at 31 December 2019, Moon Environment's overseas subsidiary pledged machinery and equipment at a book value amounting to RMB 5,589,943.84 for bank borrowings.

(2) Temporary idle fixed assets:

Item	Book balance	Accumulated depreciation	Impairment provision	Book value	Remark
Machinery and equipment	27,711,669.71	14,163,308.23	7,533,275.02	6,015,086.46	Temporarily idle due to process adjustment
Total	27,711,669.71	14,163,308.23	7,533,275.02	6,015,086.46	

(3) Fixed assets held under finance leases in the period:

As at 31 December 2019, Wanhua Chemical as a lessee, the machinery and equipment with a book balance of RMB 2,138,430,217.00, an accumulated depreciation of RMB 1,528,297,578.50 and a book value of RMB 610,132,638.50 are acquired under finance leases.

(4) Fixed assets leased out to lessee under operating leases in the period:

Item	Book value
Buildings	53,300,155.95
Machinery and equipment	101,501,143.78
Electronic equipment	679.68
Total	154,801,979.41

(5) Fixed assets of which certificates of title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Buildings	2,157,402,718.40	In process
Factory located at Xingfu South Road	6,626,341.82	According to the requirements of Yantai municipal government, commercial houses are promoting the relocation and the certificate of property right would not be applied.
Two commercial houses	4,698,586.61	The housing contract has been signed, but the house has not been handed over yet
Total	2,168,727,646.83	

(6) Details of Fixed assets pending for disposal:

Item	Closing book value	Opening book value
Buildings	26,342,777.43	
Machinery and equipment	23,923.68	1,713,379.79
Total	26,366,701.11	1,713,379.79

22. Construction in progress

(1) Details of construction in progress are as follows:

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value
Polyurethane industrial chain extension and supporting project	10,190,055,801.64		10,190,055,801.64	5,881,623,778.05		5,881,623,778.05
Ethylene project	7,065,507,331.19		7,065,507,331.19	1,178,272,364.93		1,178,272,364.93
U.S. integrated project	835,140,339.74	310,440,138.43	524,700,201.31	406,042,127.44		406,042,127.44
Wanhua Yantai Industrial Park Project	739,041,512.46		739,041,512.46	1,138,281,673.97		1,138,281,673.97
High performance materials project of BC Company	357,989,819.15		357,989,819.15	17,870,179.72		17,870,179.72

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Wanhua Shanghai Center Project	496,961,278.25		496,961,278.25	432,526,353.79		432,526,353.79
Technological transformation of Wanhua Ningbo of 2019	348,095,658.44		348,095,658.44	819,076.14		819,076.14
High performance para aramid fiber project	246,094,147.86		246,094,147.86	6,548,421.18		6,548,421.18
Yantai Thermal Power Phase-II Project	219,614,809.57		219,614,809.57	37,218,429.10		37,218,429.10
Guangdong Water-base Resin Phase-II Project	190,971,680.49		190,971,680.49	27,538,499.92		27,538,499.92
Investment Project of Plant Infrastructure of BC Company	178,396,839.34		178,396,839.34	5,416,217.21		5,416,217.21
MDI Technical Improvement Project of BC Company	108,160,534.89		108,160,534.89	324,672,101.64		324,672,101.64
High-performance interdimensional aramid fiber for protection and high efficiency integration industrialisation project	107,075,041.47		107,075,041.47			
DUNHAMBUSHI USA LLC infrastructure projects	106,596,594.12		106,596,594.12	56,207,315.69		56,207,315.69
Green intelligent casting project	65,121,090.70		65,121,090.70	9,704,495.73		9,704,495.73
Chunshan coal mine project of Shanxi Zhongqiang	44,395,728.22		44,395,728.22	43,246,720.12		43,246,720.12
Intelligent compressor factory project	42,218,668.58		42,218,668.58			
Railway special line project of Shanxi Zhongqiang	39,835,773.72		39,835,773.72	35,213,132.22		35,213,132.22
Taoziwan Recycled Water Project	38,976,765.93		38,976,765.93	426,249,903.76		426,249,903.76

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Research & Development and production projects of silane products	34,360,734.47		34,360,734.47	12,036,071.30		12,036,071.30
Miyun District high-tech industrial base project	27,051,595.14	10,176,476.51	16,875,118.63	11,190,245.25	10,176,476.51	1,013,768.74
Belt lane of southern wing zone two	17,857,830.68	17,857,830.68		14,932,913.79		14,932,913.79
Track lane of Southern wing zone two	17,551,005.04	17,551,005.04		11,913,522.47		11,913,522.47
Gansu Aike silver project	16,356,301.34		16,356,301.34			
Nuosi Boer of Jingbian, Shaanxi	10,741,037.68		10,741,037.68			
Test Stand Upgrade	10,457,441.57		10,457,441.57			
Hot water power generation project	8,665,783.99		8,665,783.99	8,665,783.99		8,665,783.99
Return air lane of Southern wing zone two	6,769,080.65	6,769,080.65	0.00	8,121,790.31		8,121,790.31
Activated carbon project	6,232,670.78		6,232,670.78	6,232,670.78		6,232,670.78
Test Rig	5,151,868.08		5,151,868.08	4,865,586.93		4,865,586.93
New thermal insulation filling and supporting materials project	3,778,888.61		3,778,888.61			
Intelligent manufacturing project of green differential spandex	1,681,460.21		1,681,460.21			
Automatic pipeline prefabrication line equipment module cutting chamfering machine	1,374,977.34		1,374,977.34	1,374,977.34		1,374,977.34
Ningxia Tayho spandex differential colored spandex transformation project	1,316,339.37		1,316,339.37			

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Others	3,711,861,382.73	15,849,834.00	3,696,011,548.73	1,595,791,072.69	15,843,698.70	1,579,947,373.99
Total	25,301,457,813.44	378,644,365.31	24,922,813,448.13	11,702,575,425.46	26,020,175.21	11,676,555,250.25

(2) The movements of significant projects of construction in progress are as follows:

The Company decides that construction in progress of more than RMB 150,000,000.00 is considered as significant construction in progress as follows:

Name of Items	Budget amount	Opening balance	Increase in the current period	Increase due to changes in the scope of consolidation	Transfer to fixed assets	Transfer to intangible assets	Provision for impairment losses
Polyurethane industrial chain extension and supporting project	29,664,000,000.00	5,881,623,778.05	7,610,437,629.30		3,302,005,605.71		
Ethylene project	16,800,000,000.00	1,178,272,364.93	5,914,692,768.18		27,457,801.92		
Wanhua Yantai Industrial Park Project	24,525,360,000.00	1,138,281,673.97	90,950,196.15		490,190,357.66		
Wanhua Shanghai Center Project	610,000,000.00	432,526,353.79	64,434,924.46				
Guangdong Water-base Resin Phase-II Project	400,000,000.00	27,538,499.92	163,433,180.57				
Taoziwan Recycled Water Project	519,600,100.00	426,249,903.76	39,775,108.97			427,048,246.80	
U.S. integrated project	8,579,000,000.00	406,042,127.44	422,412,881.78				310,440,138.43
High performance materials project of BC Company	506,741,553.13	17,870,179.72	340,192,055.64				

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Investment Project of Plant Infrastructure of BC Company	395,652,098.65	5,416,217.21	173,002,570.53				
MDI Technical Improvement Project of BC Company	390,775,000.00	324,672,101.64	59,445,614.31		274,561,184.31		
Yantai Thermal Power Phase-II Project	1,411,170,000.00	37,218,429.10	182,396,380.47				
Technological transformation of Wanhua Ningbo of 2019	512,270,000.00	819,076.14	367,371,428.59		20,094,846.29		
Technological transformation of Wanhua Ningbo of 2017	325,221,000.00	150,726,291.53	112,926,100.18		263,652,391.71		
Others		965,304,191.00	1,630,305,955.53	144,999,921.59	627,682,911.73	6,549,389.00	69,402.12
Total	84,639,789,751.78	10,992,561,188.20	17,171,776,794.66	144,999,921.59	5,005,645,099.33	433,597,635.80	310,509,540.55

(Continued)

Name of Items	Exchange differences arising on translation of financial statements	Closing balance	Amount injected as a proportion of budget amount (%)	Con- struction progress (%)	Amount of accumulated capitalised financial expenses	Including: capitalised financial expenses for the year	Interest capitali- sation rate for the year (%)	Source of funds
Polyurethane industrial chain extension and supporting project		10,190,055,801.64	53.44	53.44	298,464,083.66	54,566,652.92	3.41	Cash from operation and loans and raised funds
Ethylene project		7,065,507,331.19	42.22	42.22	64,426,768.49	64,426,768.49	3.96	Cash from operation and loans

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Wanhua Yantai Industrial Park Project		739,041,512.46	99.79	99.79	1,105,824,997.64	5,628,715.84	3.66	Cash from operation and loans
Wanhua Shanghai Center Project		496,961,278.25	81.47	81.47				Cash from operation and raised funds
Guangdong Water-base Resin Phase-II Project		190,971,680.49	47.74	47.74				Cash from operation
Taoziwan Recycled Water Project		38,976,765.93	89.69	89.69				Cash from operation
U.S. integrated project	-6,685,330.52	524,700,201.31	9.73	9.73	7,189,337.57	4,676,395.76	2.30	Cash from operation and loans
High performance materials project of BC Company	72,416.21	357,989,819.15	70.65	70.65	1,780,953.77	1,780,953.77	1.23	Cash from operation and loans
Investment Project of Plant Infrastructure of BC Company	21,948.40	178,396,839.34	45.09	45.09	770,967.75	770,967.75	1.23	Cash from operation and loans
MDI Technical Improvement Project of BC Company	1,395,996.75	108,160,534.89	98.30	98.30	5,278,425.95	5,278,425.95	1.23	Cash from operation and loans
Yantai Thermal Power Phase-II Project		219,614,809.57	15.56	15.56	13,536,072.62	9,779,605.48	3.86	Cash from operation and loans
Technological transformation of Wanhua Ningbo of 2019		348,095,658.44	72.46	72.46				Cash from operation
Technological transformation of Wanhua Ningbo of 2017			100.00	100.00				Cash from operation
Others	2,902,001.02	2,103,406,364.25			153,347,999.13	9,094,528.26		Cash from operation and loans
Total	-2,292,968.14	22,561,878,596.91			1,650,619,606.58	156,003,014.22		

(3) Provision for impairment losses for construction in progress:

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Item	Amount accrued for current period	Reasons
U.S. integrated project	310,440,138.43	It is MDI integration project in the US. During the preliminary design process, due to the rapid change of external environment, the investment cost of the project has increased significantly. The Company is reassessing the construction scope and site selection of the U.S. integrated project. Due to the adjustment of the scope of construction and the change of site selection, some of the previous designs are invalid, resulting in impairment losses.
Belt lane of southern wing zone two	17,857,830.68	Assets deteriorated and could not be used normally
Track lane of Southern wing zone two	17,551,005.04	Assets deteriorated and could not be used normally
Return air lane of Southern wing zone two	6,769,080.65	Assets deteriorated and could not be used normally
Others	69,402.12	Damaged
Total	352,687,456.92	

23. Intangible assets

(1) Details of intangible assets:

Item	Land use rights	Mining rights	Mineral exploration rights	Computer software	Patents	Non-patented technology
I. Book balance						
1. Opening balance	3,484,847,718.45	2,359,041,917.24	18,560,400.00	245,180,807.07	195,325,646.66	1,182,503,482.15
2. Increase in the current period	536,712,351.00			75,621,579.12	2,000,000.00	1,300,789,947.63
(1) Purchase	532,098,805.90			71,239,988.11		26,064,234.33
(2) Acquired in a business combination	4,613,545.10			351,327.04	2,000,000.00	1,272,162,229.30
(3) Transfer from construction in progress				3,985,905.00		2,563,484.00
(4) Others				44,358.97		
3. Decrease in the current period	206,352,886.78			4,725,657.03	5,793,550.00	
(1) Disposals	87,019,257.43			4,725,657.03	5,793,550.00	
(2) Decrease in disposal of subsidiaries	119,333,629.35					
4. Exchange differences arising on translation of financial statements				29,657.83	-42,007.80	-640,629.95
5. Closing balance	3,815,207,182.67	2,359,041,917.24	18,560,400.00	316,106,386.99	191,490,088.86	2,482,652,799.83

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II. Accumulated amortisation						
1. Opening balance	387,212,725.89	102,992,429.85		154,104,261.06	156,032,802.55	590,639,949.14
2. Increase in the current period	70,889,369.79	34,268,848.88		25,883,322.54	16,405,824.35	152,584,884.28
(1) Provisions	70,103,142.42	34,268,848.88		25,847,911.92	15,322,469.35	152,584,884.28
(2) Acquired in a business combination	786,227.37				1,083,355.00	
(3) Others				35,410.62		
3. Decrease in the current period	24,839,190.90			3,566,615.79	5,793,550.00	2,321,203.50
(1) Disposals	20,482,201.97			3,566,615.79	5,793,550.00	2,321,203.50
(2) Decrease in disposal of subsidiaries	4,356,988.93					
4. Exchange differences arising on translation of financial statements				53,995.96	-9,567.57	-903,203.80
5. Closing balance	433,262,904.78	137,261,278.73		176,474,963.77	166,635,509.33	740,000,426.12
III. Provision for impairment losses						
1. Opening balance						
2. Increase in the current period						
(1) Provisions						
3. Decrease in the current period						
(1) Disposals						
(2) Disposals of subsidiaries						
(3) Others						
4. Closing balance						
IV. Book value						
1. Closing book value	3,381,944,277.89	2,221,780,638.51	18,560,400.00	139,631,423.22	24,854,579.53	1,742,652,373.71
2. Opening book value	3,097,634,992.56	2,256,049,487.39	18,560,400.00	91,076,546.01	39,292,844.11	591,863,533.01

(Continued)

Item	Carbon emission quota	Technical know-how	Asset equity for Polyether	Franchise	Others	Total
I. Book balance						
1. Opening balance	84,531,115.60	8,524,000.00	1,300,000.00	55,800,000.00	21,402,800.00	7,657,017,887.17
2. Increase in the current period	113,684,263.00	29,485,900.00		427,048,246.80	1,400,000.00	2,486,742,287.55

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI CUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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(1) Purchase	113,684,263.00					743,087,291.34
(2) Acquired in a business combination					1,400,000.00	1,280,527,101.44
(3) Transfer from construction in progress				427,048,246.80		433,597,635.80
(4) Others		29,485,900.00				29,530,258.97
3. Decrease in the current period	2,375,912.00					219,248,005.81
(1) Disposals	2,375,912.00					99,914,376.48
(2) Decrease in disposal of subsidiaries						119,333,629.33
4. Exchange differences arising on translation of financial statements	-342,549.60					-995,529.52
5. Closing balance	195,496,917.00	38,009,900.00	1,300,000.00	482,848,246.80	22,802,800.00	9,923,516,639.39
II. Accumulated amortisation						
1. Opening balance	31,342,116.20	8,524,000.00	1,126,666.32	1,550,000.00	1,540,616.15	1,435,065,567.16
2. Increase in the current period	65,681,462.00	491,377.60	130,000.77	19,504,675.44	429,939.39	386,269,705.04
(1) Provisions	65,681,462.00	491,377.60	130,000.77	19,504,675.44	429,939.39	384,364,712.05
(2) Acquired in a business combination						1,869,582.37
(3) Others						35,410.62
3. Decrease in the current period						36,520,560.19
(1) Disposals						32,163,571.26
(2) Decrease in disposal of subsidiaries						4,356,988.93
4. Exchange differences arising on translation of financial statements	-127,009.20					-985,784.61
5. Closing balance	96,896,569.00	9,015,377.60	1,256,667.09	21,054,675.44	1,970,555.54	1,783,828,927.40
III. Provision for impairment losses						
1. Opening balance						
2. Increase in the current period						
(1) Provisions						
3. Decrease in the current period						
(1) Disposals						
(2) Disposals of subsidiaries						
(3) Others						

4. Closing balance						
IV. Book value						
1. Closing book value	98,600,348.00	28,994,522.40	43,332.91	461,793,571.36	20,832,244.46	8,139,687,711.99
2. Opening book value	53,188,999.40		173,333.68	54,250,000.00	19,862,183.85	6,221,952,320.01

Description of intangible assets:

As at 31 December 2019, Wanhua Chemical has mortgaged software with a book value amounting to RMB 500,192.00 to obtain bank borrowings.

As at 31 December 2019, MetaStar Company has mortgaged patents with a book value amounting to RMB 305,548.33 to obtain bank borrowings.

As at 31 December 2019, the book value of RMB 24,799,406.10 of intangible assets has been pledged by an overseas subsidiary of Moon Environment as collateral for acquiring borrowings.

(2) Land use rights of which certificates of the title have not been obtained:

Item	Book value	Reasons why certificates of title have not been obtained
Land use rights	400,739,014.20	In process
Total	400,739,014.20	

24. Goodwill

(1) The Original value of the goodwill:

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Exchange differences arising on translation of financial statements	
BorsodChem Zrt.	1,072,750,422.22		4,347,159.33	1,068,403,262.89
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	277,518,585.35			277,518,585.35
Beijing Juliwei Technology		11,831,625.29		11,831,625.29

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from business combination	Exchange differences arising on translation of financial statements	
Co., Ltd.				
Yantai Moon Engineering Technology Co., Ltd.	153,297.36			153,297.36
Beijing Huayuan taimeng Energy-saving Equipment Co., Ltd.	73,778,808.46			73,778,808.46
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	16,282,252.31			16,282,252.31
Dunham-Bush Holding Bhd	726,339,884.39			726,339,884.39
Total	2,166,823,250.09	11,831,625.29	4,347,159.33	2,174,307,716.05

(2) Provision for impairment of the goodwill:

Name of the investee	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Exchange differences arising on translation of financial statements	Reversal or written off	Others	
Shandong Shenzhou Refrigeration Equipment Co., Ltd.	6,743,576.74					6,743,576.74
Total	6,743,576.74					6,743,576.74

25. Long-term prepaid expenses

Item	Opening balance	Increase in the current period	Amortisation in the current period	Exchange differences arising on translation of financial statements	Closing balance
Land lease payments	45,733,333.34		2,395,909.07		43,337,424.27
Improvement expenditure of fixed assets	13,879,658.86	277,569.01	5,908,229.97	57,657.70	8,306,655.60

Expenditure of decorating project	910,020.43	5,356,387.33	966,287.66		5,300,120.10
Expenditure of weak electric engineering		102,818.45	2,570.46		100,247.99
Decoration Expenditure of exhibition hall		2,441,457.85	40,690.96		2,400,766.89
Expenditure on major repair of fixed assets	133,967.00		133,967.00		
Expenditure of central air conditioning	2,912,857.93		582,571.60		2,330,286.33
Expenditure of retail vehicles	5,454.91	31,034.48	33,903.22		2,586.17
Others	886,006.35	585,237.89	416,595.32	-8,063.85	1,046,585.07
Total	64,461,298.82	8,794,505.01	10,480,725.26	49,593.85	62,824,672.42

26. Deferred tax assets / Deferred tax liabilities

(1) Deferred tax assets without offset:

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	1,030,118,243.99	185,953,023.07	922,827,037.78	143,231,064.75
Deductible tax losses	413,682,301.66	80,110,654.65	176,172,752.98	32,076,852.21
Employee benefits payable	699,212,497.78	114,650,505.21	725,205,362.75	130,662,954.67
Unpaid expenses	2,377,722,525.59	351,718,089.70	2,774,820,307.77	520,562,529.41
Accrued expenses	68,765,016.05	12,492,752.25	61,620,993.34	10,011,628.40
Unrealised profit from intra-group transactions	1,629,311,120.93	256,816,028.12	1,917,792,819.22	277,393,607.06
Deferred income	910,886,469.10	137,736,182.25	905,813,785.70	142,389,291.36

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Differences in depreciation of fixed assets	8,096,550.53	1,373,736.03	12,802,179.03	3,294,372.59
Changes in fair value of financial instruments	39,247,359.57	3,534,477.21	636,143.14	159,035.79
Finance leases	112,863,939.90	10,198,476.39	160,066,551.39	15,843,698.70
Provision for expected credit loss	247,671,574.23	49,863,046.94		
Provisions	87,090,059.73	9,707,986.37	15,568,444.70	2,335,266.71
Deposit for sales			88,178,803.28	14,739,647.86
Total	7,624,667,659.06	1,214,154,958.19	7,761,505,181.08	1,292,699,949.51

(2) Deferred tax liabilities without offset:

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences in depreciation of fixed assets	3,521,377,234.24	565,058,252.46	2,392,312,891.05	340,038,113.40
Increase from revaluation of assets acquired through business combination not involving entities under common control	1,308,884,304.71	279,862,430.93	27,688,302.63	13,458,171.29
Changes in fair value of financial instruments	683,148,377.53	101,766,848.77	408,690,505.70	54,790,058.21
Income from share reform			2,796,352,155.24	699,088,038.81
Recognition of intangible assets appreciation			57,543,605.28	14,385,901.32
Recognition of fixed assets appreciation			13,249,538.60	1,987,430.81

Provision for impairment of assets			12,655,663.65	3,163,915.91
Total	5,513,409,916.48	946,687,532.16	5,708,492,662.15	1,126,911,629.75

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offsetting:

Item	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets and liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
1. Deferred tax assets	448,100,600.47	766,054,357.72	231,737,137.09	1,060,962,812.42
2. Deferred tax liabilities	448,100,600.47	498,586,931.69	231,737,137.09	895,174,492.66

27. Other non-current assets

Item	Closing balance	Opening balance
Prepayment for construction	2,744,256,481.38	2,072,361,765.80
Prepayment for land compensation	325,923,535.83	345,567,093.42
Prepayment for equipment	91,627,436.92	86,371,535.80
Circulation right of equity separation	20,397,064.21	2,914,037,513.53
Equity assessment appreciation	23,110,289.02	23,110,289.02
Land transaction fees	4,453,653.20	
Prepayment for equity		9,800,000.00
Others	362,525.74	1,047,691.59
Total	3,210,130,986.30	5,452,295,889.16

28. Short-term borrowings

(1) Categories of short-term borrowings:

Item	Closing balance	Opening balance
Pledged loans (Note)	60,944,415.27	565,270,949.86

Mortgage loans		3,000,000.00
Guaranteed loans		2,747,110,747.31
Credit loans	23,369,461,787.32	16,271,947,416.30
Total	23,430,406,202.59	19,587,329,113.47

Note 1: As at 31 December 2019, the pledged loan of Wanhua Chemical with the book value of RMB 42,934,048.47 was obtained by the pledge of notes receivable, referring to Note. V. 7.

Note 2: As at 31 December 2019, MetaStar's pledge loan of RMB 10,000,000.00 was obtained by means of patent pledge. Please refer to Note V. 23.

Note 3: As at 31 December 2019, the pledge loan of the overseas subsidiary of Moon Group is RMB 8,010,366.80.

(2) As at 31 December 2019, there are no short-term borrowings overdue but not yet repaid.

29. Financial liabilities at fair value through profit or loss

Item	Closing balance	Opening balance
Financial liabilities held for trading		
Including: Held-for-trading bonds issued		
Designated as financial liabilities at fair value through profit or loss		636,143.14
Total		636,143.14

30. Derivative financial liabilities

Item	Closing balance	Opening balance
Natural gas swap contract	39,147,839.50	7,148,890.30
Foreign exchange swap contract		4,488,655.60
Liquefied petroleum gas (LPG) OTC transaction contract	1,132,648.86	1,173,476.80

Total	40,280,488.36	12,811,022.70
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31. Notes payable

Category	Closing balance	Opening balance
Bank acceptance bills	9,047,711,703.73	4,738,017,701.84
Commercial acceptance bills	189,879,317.82	20,965,829.65
Total	9,237,591,021.55	4,758,983,531.49

32. Accounts payable

(1) Details of accounts payable are as follows:

Aging	Closing balance	Opening balance
Within 1 year	8,834,057,963.91	6,327,019,384.91
1 to 2 years	447,660,025.05	299,828,432.31
2 to 3 years	98,386,473.38	106,519,558.60
Over 3 years	185,452,534.00	224,412,745.46
Total	9,565,556,996.34	6,957,780,121.28

(2) Significant accounts payable aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 16	19,269,697.11	Yet to be settled
Company 17	18,507,581.20	Yet to be settled
Company 18	13,810,000.00	Payment terms are not met
Company 19	9,397,597.18	Yet to be settled
Company 20	8,042,842.45	Yet to be settled
Company 21	5,088,396.34	The other party has not yet issued an invoice
Total	74,116,114.28	

33. Receipts in advance

(1) Presentation of receipts in advance

Aging	Closing balance	Opening balance
Within 1 year	2,896,799,526.73	3,291,392,764.14
Over 1 year	135,701,440.17	146,357,201.01
Total	3,032,500,966.90	3,437,749,965.15

(2) There are no significant receipts in advance aged more than one year.

34. Employee benefits payable

(1) Details of employee benefits payable:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term employee benefits	1,271,079,044.29	4,816,856,682.84	4,867,171,629.47	1,220,764,097.66
2. Post-employment benefits - defined contribution plans	19,064,126.58	506,602,172.02	511,484,655.08	14,181,643.52
3. Termination benefits	2,095,668.00	11,805,541.84	12,252,937.52	1,648,272.32
4. Other benefits maturing within one year	283,270.28	192,894.21	143,832.23	332,332.26
5. Others				
Total	1,292,522,109.15	5,335,457,290.91	5,391,053,054.30	1,236,926,345.76

(2) Details of short-term employee benefits:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	1,185,511,959.91	4,040,625,597.05	4,082,414,291.40	1,143,723,265.56
2. Staff welfare	2,458,640.05	225,943,223.35	227,309,905.82	1,091,957.58
3. Social security contributions	15,809,968.95	251,210,520.35	262,676,867.42	4,343,621.88

Including: Medical insurance	14,493,869.28	200,890,676.12	211,596,325.24	3,788,220.16
Work injury insurance	625,961.56	29,667,576.43	30,209,195.56	84,342.43
Maternity insurance	684,169.03	19,971,155.47	20,568,135.99	87,188.51
Others	5,969.08	681,112.33	303,210.63	383,870.78
4. Housing funds	9,898,448.64	226,171,875.83	235,093,015.05	977,309.42
5. Labor union and employee education funds	57,390,828.40	69,097,412.23	58,334,495.36	68,153,745.27
6. Short-term compensated absences				
7. Short-term profit-sharing plans				
8. Others	9,198.34	3,808,054.03	1,343,054.42	2,474,197.95
Total	1,271,079,044.29	4,816,856,682.84	4,867,171,629.47	1,220,764,097.66

(3) Presentation of defined contribution plan:

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	17,911,552.98	483,090,214.11	488,372,073.60	12,629,693.49
2. Unemployment insurance	1,113,337.10	22,855,188.28	22,693,339.65	1,275,185.73
3. Enterprise annuity	39,236.50	656,769.63	419,241.83	276,764.30
Total	19,064,126.58	506,602,172.02	511,484,655.08	14,181,643.52

35. Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	250,623,193.69	1,039,539,874.91
Value-added tax	244,636,680.11	517,174,231.30
Urban maintenance and construction tax	7,461,323.72	36,878,013.61
Education surcharges	2,087,433.39	1,407,857.65

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Local education surcharges	279,215.28	201,346.31
Local water conservancy construction fund	27,752.76	45,971.09
Land use tax	5,394,291.97	8,417,763.97
Individual income tax	8,529,689.01	7,011,765.97
Resources tax	10,015,397.50	5,054,562.34
Property tax	4,318,731.08	4,516,981.24
Water resources tax	506,681.40	395,989.36
Stamp duty	834,455.14	185,438.29
Other taxes	69,557,958.84	69,353,917.81
Total	604,272,803.89	1,690,183,713.85

36. Other payables

Item	Closing balance	Opening balance
Interest payable	141,373,729.73	155,492,803.60
Dividend payable	48,494,625.00	25,253,125.00
Other payables	4,052,831,969.03	3,976,702,817.46
Total	4,242,700,323.76	4,157,448,746.06

(1) Interest payable:

Item	Closing balance	Opening balance
Interest on short-term borrowings	27,440,622.18	55,266,872.42
Interest on long-term borrowings with interest paid by installments	58,209,298.93	57,652,061.96
Interest on corporate bonds	11,821,944.45	
Interest on long-term payables	33,117,287.69	29,818,849.32
Interest on borrowed funds	7,791,256.42	3,639,721.54
Interest on multi-currency interest rate swap contract	2,000,768.00	6,356,313.00
Others	992,552.06	2,758,985.36
Total	141,373,729.73	155,492,803.60

(2) Dividend payable:

Item	Closing balance	Opening balance
Dividends on ordinary shares	48,494,625.00	25,253,125.00
Total	48,494,625.00	25,253,125.00

(3) Other payables

1) Other payables listed by nature:

Item	Closing balance	Opening balance
Current accounts	2,994,637,601.10	3,075,800,067.15
Maintenance fees	248,933,582.07	326,937,945.07
Deposits and security deposits	229,161,422.05	175,423,087.36
Transportation fees	132,396,822.88	119,972,767.10
Payable for equity acquisition	121,456,688.43	
Payable for purchase of equity instruments		21,823,800.00
Carbon emission quota to be used	86,251,858.00	42,336,183.50
Payables for projects	54,446,628.99	59,284,187.89
Guarantee funds for rural interests	5,187,400.00	
Collection and payment for another	3,870,485.83	871,854.52
Dealer rebates	3,797,296.63	6,917,009.21
Labour costs	2,107,254.10	3,492,489.00
Others	170,584,928.95	143,843,426.66
Total	4,052,831,969.03	3,976,702,817.46

2) Other significant payables aged more than one year:

Name of entity	Closing balance	Reasons for outstanding or not carrying-forward
Company 22	2,400,027,465.00	The terms of payment have not been met
Company 23	300,000,000.00	The terms of payment have not been met
Company 24	52,500,000.00	Not due for repayment

Company 25	32,925,339.00	The terms of payment have not been met
Company 26	9,768,850.42	The opposite company has been cancelled
Total	2,795,221,654.42	

37. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	3,283,305,271.92	5,776,361,687.83
Long-term payables due within one year	62,066,957.64	30,000,000.00
Other non-current liabilities due within one year	209,557,137.00	169,227,024.50
Total	3,554,929,366.56	5,975,588,712.33

38. Other current liabilities

Item	Closing balance	Opening balance
Deferred income carried forward within one year		6,302,097.24
Others		6,779.66
Total		6,308,876.90

39. Long-term borrowings

Item	Closing balance	Opening balance
Pledged loans	207,060,000.00	660,812,536.80
Mortgage loans	1,348,338,892.63	1,155,730,178.86
Guaranteed loans		2,399,111,360.00
Credit loans	9,817,291,772.82	2,674,723,159.32
Pledged and guaranteed loans		58,600,000.00
Total	11,372,690,665.45	6,948,977,234.98

Note: Pledged loans are bank loans obtained by other non-current financial assets as collaterals, referring to Note V. 69. Mortgage loans are bank loans secured by the

mortgage of the Company's inventories, fixed assets and intangible assets, referring to Note V. 10, V. 21 and V. 23, etc.

40. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
Corporate bonds	1,991,611,424.83	
Total	1,991,611,424.83	

(2) Movement of bonds payable:

Name of bonds	Par value	Issue date	Term	Issue amount	Opening balance of the period	Issued in the current period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	1,000,000,000.00	6 November 2019	3 years	996,720,000.00		996,720,000.00
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	1,000,000,000.00	6 November 2019	5 years	994,720,000.00		994,720,000.00
Total	2,000,000,000.00			1,991,440,000.00		1,991,440,000.00

(Continued)

Name of bonds	Accrued interest based on par value	Premium and discount amortisation	Repaid in the current period	Reclassified to non-current liabilities due within one year	Closing balance of the period
Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (first tranche) (variety 1) in 2019	5,550,277.78	89,660.82			996,809,660.82

Yantai Guofeng Investment Holding Co., Ltd. publicly issues corporate bonds (second tranche) (variety 2) in 2019	6,271,666.67	81,764.01			994,801,764.01
Total	11,821,944.45	171,424.83			1,991,611,424.83

41. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	942,933,858.67	866,952,365.40
Special payables	18,100,000.00	18,100,000.00
Total	961,033,858.67	885,052,365.40

(1) Long-term payables

Presentation of long-term payables by natures:

Item	Closing balance	Opening balance
Finance leased payable	538,667,858.67	494,086,365.40
Mining right fee	312,866,000.00	312,866,000.00
Payable on resources	30,000,000.00	60,000,000.00
Share acquisition funds payable	60,000,000.00	
Performance security of share acquisition	1,400,000.00	
Total	942,933,858.67	866,952,365.40

(2) Special payables

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Industrialisation project of dope-dyed meta-aramid short-staple fiber	10,000,000.00			10,000,000.00	Project without going through the acceptance check
Project of new recyclable process, a high quality aramid raw material with annual output of 7000 tons	8,100,000.00			8,100,000.00	Project without going through the acceptance check

Total	18,100,000.00			18,100,000.00	
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42. Long-term employee benefits payable

Item	Closing balance	Opening balance
1. Post-employment benefits – net liabilities of defined benefit plans	49,017,085.70	45,836,364.60
2. Termination benefits	4,697,115.50	4,567,128.60
3. Other long-term employee benefits	6,990,707.23	6,227,820.38
Total	60,704,908.43	56,631,313.58

43. Provisions

Item	Closing balance	Opening balance
Provision for environmental costs	250,395,021.03	294,477,779.80
Product quality warranties	19,979,607.77	15,568,444.70
Asset retirement obligation	2,867,375.65	2,364,453.14
Provision for mine environmental restoration	1,399,427.60	
Others	13,870,480.47	13,662,149.30
Total	288,511,912.52	326,072,826.94

44. Deferred income

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government grants	1,036,078,877.20	190,649,569.90	171,370,305.62	1,055,358,141.48	Government funding
Others	64,689,639.95		4,698,751.37	59,990,888.58	
Total	1,100,768,517.15	190,649,569.90	176,069,056.99	1,115,349,030.06	

Details of items related to government grants:

Item	Opening balance	New grants in the current year	Recognised in other income	Other changes	Closing balance	Related to assets / income
Industrial upgrading	419,257,114.19	60,000,000.00	42,454,776.24		436,802,337.95	Related to

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subsidies						assets
Subsidies for industry revitalisation and comprehensive technology transformation projects	128,816,783.51		12,341,502.48	-1,580,372.10	114,894,908.93	Related to assets
Industrial supporting subsidies	97,287,879.73		9,491,500.44		87,796,379.29	Related to assets
Special funds for strengthening the core competitiveness of manufacturing industry	39,558,263.84	27,312,000.00	3,569,166.72		63,301,097.12	Related to income
Environmental protection subsidy	42,820,072.92		3,870,593.76		38,949,479.16	Related to assets
Special funds for optimisation of industrial structure	36,924,100.66		3,852,949.68		33,071,150.98	Related to assets
Subsidy for infrastructure construction of Yantai Development Zone Finance Bureau	33,276,600.00		3,697,400.04		29,579,199.96	Related to assets
Special funds for supporting the development of enterprises	26,583,880.52		830,746.32		25,753,134.20	Related to assets
Interest discount on loans for key industry technical transformation project	23,679,220.64		1,889,182.44		21,790,038.20	Related to assets
Implementation plan of high performance aramid fiber laminated products		21,112,555.52	1,822,666.67	1,822,666.67	21,112,555.52	Related to assets
Special fund from construction of two zones	23,949,579.83		3,025,210.08		20,924,369.75	Related to assets
Capital construction expenditure subsidy of Yantai Finance Bureau	22,497,567.96		1,715,381.29		20,782,186.67	Related to assets
Park upgrading and reconstruction subsidies	17,644,922.08		805,547.08		16,839,375.00	Related to assets

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Special funds for supporting key advantageous industries		13,200,000.00			13,200,000.00	Related to assets
Integrated molding and engineering fabrication of fibrous energy storage devices	2,322,707.50	5,185,000.00	488,991.00	488,991.00	7,507,707.50	Related to assets
Recycling transformation subsidies	7,687,500.00		750,000.00		6,937,500.00	Related to assets
Special subsidies for Marine fishery projects – RMB 5.5 million		5,500,000.00			5,500,000.00	Related to assets
Subsidy for demolition	3,001,656.13	2,000,000.00	46,970.00		4,954,686.13	Related to income
Boiler flue gas ultra low emission transformation project	4,816,666.68		850,000.00	850,000.00	4,816,666.68	Related to assets
Polyurethane Thermal Insulation Materials and Integrated Housing Engineering Research Center Project	4,500,000.00		122,266.15		4,377,733.85	Related to assets
Special subsidy for green manufacturing system integration project	8,700,000.00		4,460,400.00		4,239,600.00	Related to income
Special fund for strategic emerging Industrialisation in the autonomous region in 2019		4,000,000.00	296,296.30		3,703,703.70	Related to assets
Independent innovation in Shandong Province (Industrialisation technology development of Para-aramid fiber with high strength and high modulus and its key raw materials)	3,541,666.66		1,250,000.00	1,250,000.00	3,541,666.66	Related to assets
Research & development and Industrialisation of major technology of key		3,388,000.00			3,388,000.00	Related to assets/income

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paper-based materials with an annual output of 1500 tons for wind power generation						
Provincial science and technology innovation and development funds in 2019 (financial subsidy for enterprise research and development)		3,920,000.00	769,895.05		3,150,104.95	Related to assets
Comprehensive award and subsidy fund for industrial enterprise technological transformation in Ningdong base in 2018		3,000,000.00			3,000,000.00	Related to assets
Special funds for laboratory construction of national aramid fiber engineering technology research center	2,919,355.00		1,006,048.36	1,006,048.36	2,919,355.00	Related to assets
HCFCs replacement and transformation project in industrial and commercial refrigeration industry	2,698,470.30				2,698,470.30	Related to assets
Fixed assets investment subsidy		3,000,000.00	825,184.50		2,174,815.50	Related to assets
Industrialisation of aramid paper with an annual output of 1500 tons		2,162,222.16	186,666.67	186,666.67	2,162,222.16	Related to assets
Research of technology for forming on high performance wet-laid nonwovens		1,815,690.97	240,945.12		1,574,745.85	Related to income
Development and Industrialisation of large temperature difference steam / distillation steam compression equipment for high	5,678,019.62			-4,157,607.18	1,520,412.44	Related to assets

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concentration organic liquid treatment						
Special fund for independent innovation and achievement transformation in 2014 for the development of fusible meta-aramid Industrialisation technology	1,375,000.00		343,750.00	343,750.00	1,375,000.00	Related to assets
Key technology of large scale and stabilisation preparation of high performance para-aramid	1,310,344.70		275,862.12	275,862.12	1,310,344.70	Related to assets
Key technology for large scale preparation of carbon nanofibers	1,217,391.32		260,869.56	260,869.56	1,217,391.32	Related to assets
Research and development ground source heat pump technology and Industrialisation project	1,181,216.73		160,002.48		1,021,214.25	Related to assets
Special funds for improving quality and increasing efficiency of provincial industry (para-aramid fiber phase I Spinning Extension Project)	1,000,000.00		250,000.00	250,000.00	1,000,000.00	Related to assets
Key technology for preparation and engineering of high strength meta-aramid fiber		1,000,000.00			1,000,000.00	Related to assets
Research and development of major science and technology plan projects in 2015		880,333.34	76,000.00	76,000.00	880,333.34	Related to assets
Research & development and Industrialisation of key technologies for		880,333.34	76,000.00	76,000.00	880,333.34	Related to assets

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sspecial new type of paper-based materials for Aerospace						
Yantai science and technology development program fund	875,000.00		250,000.00	250,000.00	875,000.00	Related to assets
Supporting funds for the development of domestic para-aramid and its combined materials for large ships	1,270,856.25		630,835.42	110,250.00	750,270.83	Related to assets
"Machines replace humans" technical transformation cold and hot interconnected refrigeration system in production line technical transformation project	762,666.68		88,000.00		674,666.68	Related to assets
Key technology for the preparation of high elongation aramid for emergency rescue and protection equipment	625,000.00		125,000.00	125,000.00	625,000.00	Related to assets
Cold and hot environment engineering technology research center	810,000.01		189,999.97		620,000.04	Related to assets
Key technology and industrialisation of preparation of high performance fiber mica insulated combined materials		1,922,979.10	1,384,159.84		538,819.26	Related to income
Funds for para-aramid fabric project	500,000.00		125,000.00	125,000.00	500,000.00	Related to assets
Key technology for preparation of ultra high modulus para-aramid filament	500,000.00		125,000.00	125,000.00	500,000.00	Related to assets
Supporting funds for the National "Ten Thousand People Program"		500,000.00			500,000.00	Related to income

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Supporting funds for industrial transformation and upgrading in 2015		463,333.33	40,000.00	40,000.00	463,333.33	Related to assets
Engineering development of high toughness domestic aramid II Bullet Resistant Fiber	421,875.00		62,500.00	62,500.00	421,875.00	Related to assets
High-efficiency variable frequency centrifugal chillers (heat pump) with large capacity and stepless energy regulation	587,142.83		180,000.00		407,142.83	Related to assets
Foreign trade public service platform construction funds	406,296.60		276,451.72	276,451.72	406,296.60	Related to assets
Subsidised interest for loans of provincial key industry	1,160,000.02		773,333.28		386,666.74	Related to income
Technical transformation project of natural refrigerant CO2 refrigerating system	1,050,000.00		700,000.00		350,000.00	Related to assets
Research and development of integrated protection technology for police vehicles and important equipment		417,000.00	91,009.63		325,990.37	Related to assets
The principle of soft and high efficacy protection and the fund of composite functional fabric forming technology	325,714.44		81,428.52	81,428.52	325,714.44	Related to assets
Supporting funds for industrial transformation and upgrading	312,500.00		62,500.00	62,500.00	312,500.00	Related to assets
Key technology and		292,500.00	48,750.00	48,750.00	292,500.00	Related to

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industrialisation of preparation of high performance fiber mica insulated combined materials						assets
Special fund for foreign economic and trade development of the central government (Subsidised interest for imported equipments)		285,722.14	24,666.67	24,666.67	285,722.14	Related to assets
Start up fund for research & development and production projects of functional electronic materials	250,000.00				250,000.00	Related to assets
Key technology for preparation of high performance fiber mica insulating paper matrix composites and supporting funds for industrial development zone		223,900.00			223,900.00	Related to assets
Funding for the preliminary work of the project in 2018		200,000.00			200,000.00	Related to assets
Subsidised interest for imported equipments of para-aramid	183,180.00		183,180.00	183,180.00	183,180.00	Related to assets
Full liquid type of air-cooled heat pump unit	165,320.25		51,699.60		113,620.65	Related to assets
Special fund for transformation of independent innovation achievements and improvement of enterprise innovation ability	109,375.09		62,500.00	62,500.00	109,375.09	Related to assets
Special subsidies for marine fishery projects		100,000.00			100,000.00	Related to assets
Differential meta-	100,000.00		25,000.00	25,000.00	100,000.00	Related to

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aramid for filtration						assets
Preparation technology of domestic para-aramid fabric without weft for bulletproof	81,250.00		25,000.00	25,000.00	81,250.00	Related to assets
Joint development project of variable frequency screw chiller	152,974.38		72,000.00		80,974.38	Related to assets
Development of para-aramid yarn-dyeing technology	62,765.82		62,765.96	62,765.96	62,765.82	Related to assets
Research on application technology of domestic high performance para-aramid fiber and its fabric in bulletproof and stab-proof functional clothing	140,000.00		78,750.00		61,250.00	Related to assets
Patent navigation	200,000.00		141,509.43		58,490.57	Related to assets
Energy saving and utilisation in air conditioning production line expansion project	66,250.31		43,991.16		22,259.15	Related to assets
Key technology and industrialisation of preparation of high performance fiber mica insulated combined materials		53,000.00	38,029.11		14,970.89	Related to assets
Special funds for innovation driven development of Yantai City in 2019 (Civil-Military Integration)		200,000.00	198,352.23		1,647.77	Related to income
Subsidies for China - Hungary Industrial Park	33,170,000.00		32,949,461.81	-220,538.19		Related to assets
Special funds for innovation driven development (Intellectual property development)		1,200,000.00	1,200,000.00			Related to assets

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Supporting funds for research and development zone of integrated protection technology for police vehicles and important equipment in 2019		261,000.00	261,000.00			Related to assets
Supporting funds for research and application demonstration development zone of individual equipment system for stab prevention and explosion protection at disaster site in 2019		200,000.00	200,000.00			Related to assets
Subsidy for upgrading international market development in 2019 (exhibition subsidy)		158,000.00	158,000.00			Related to assets
2018YFC0810302 - Research on the preparation, protection mechanism and indirect evaluation system of high grade arc proof textile materials	214,913.52	170,000.00	384,913.52			Related to assets
2018YFC0810305 - Research and development of new materials for splash protection of molten metal		99,000.00	99,000.00			Related to assets
Supporting funds for engineering preparation of 1000 tons of para aramids and its special protection application technology development (the first prize of provincial Science and Technology Awards)		300,000.00	300,000.00			Related to assets

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1000 ton para aramid fiber engineering preparation and special protection application technology development (first prize of provincial science and Technology Progress Award)in Shandong Province		300,000.00		-300,000.00		Related to assets
2019 Provincial Special Fund for Industrial Transformation and Development (Insurance Subsidies)		1,920,000.00		-1,920,000.00		Related to assets
Supporting funds for the development zone of domestic para-aramid and its combined materials for large ships		2,000,000.00	2,000,000.00			Related to assets
Environmental protection differential spandex project investment incentive fund		6,870,000.00	6,870,000.00			Related to assets
Comprehensive award and fund for technical transformation of industrial enterprises - Key industries expansion chain and supplement chain		3,000,000.00	3,000,000.00			Related to assets
Subsidies for Ningdong innovation and development project - the development of high grade warp knitted spandex production technology		1,800,000.00	1,800,000.00			Related to assets
New project of Ningdong base - subsidy fund of electricity price in 2018		1,248,200.00		-1,248,200.00		Related to assets
Subsidies for Ningdong		1,215,000.00	1,215,000.00			Related to

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innovation and development project - the development of new hot melt spandex products						assets
Funds for key research & development projects (industrial enterprise projects above designated size) in the autonomous region in 2019 - new product development of ultra flexible and low resilience spandex		800,000.00	800,000.00			Related to assets
Subsidies for key projects of introducing overseas talents in the autonomous region in 2019		500,000.00	500,000.00			Related to assets
Special funds for non-public economic development of small and medium sized enterprises in the autonomous region in 2019		200,000.00	200,000.00			Related to assets
Yantai Innovation Driven Development Fund (key Research and Development Plan in 2018) - common key technology and application of high performance fiber paper based functional materials		500,000.00	500,000.00			Related to income
Development of high dielectric strength YT510 aramid paper		1,000,000.00	1,000,000.00			Related to income
Financial subsidies for research and development		333,800.00	333,800.00			Related to income

Energy saving and utilisation (centrifugal chiller) project	71,042.99		71,042.99			Related to assets
Others	27,258,772.49	3,560,000.00	8,334,033.99		22,484,738.50	Related to assets/income
Total	1,036,078,877.20	190,649,569.90	170,520,435.40	-849,870.22	1,055,358,141.48	

45. Other non-current liabilities

Item	Closing balance	Opening balance
Public housing maintenance fund	50,609.79	
Total	50,609.79	

46. Paid-in capital

Name of Investor	Opening balance		Increase in the current period	Decrease in the current period	Closing balance	
	Investment Amount	Proportion (%)			Investment Amount	Proportion (%)
Yantai SASAC	1,000,000,000.00	100.00	9,000,000,000.00		10,000,000,000.00	100.00
Total	1,000,000,000.00	100.00	9,000,000,000.00		10,000,000,000.00	100.00

47. Capital reserve

Item	Opening balance	Increase in the current period (Note)	Decrease in the current period (Note)	Closing balance
Share capital premium	3,729,943,919.95	78,118,987.77	3,808,062,907.72	
Total	3,729,943,919.95	78,118,987.77	3,808,062,907.72	

Note: The reasons for the movements of capital reserve in the period are as follows:

(1) The main reasons for the increase in the period are as follows: 1) According to the notice on Approving the 2019 municipal state-owned capital operation budget issued by Yantai Municipal Finance Bureau [2019] No.1, the state-owned capital is injected into RMB 20,000,000.00; 2) The capital reserve of the company was increased by RMB 20,194,543.40 due to the bond to equity conversion of Moon Environment; 3) The

acquisition of minority interests by subsidiary of Wanhua Chemical resulted in an increase of RMB 37,802,566.83 in the Company's capital reserves; 4) Other increases are RMB 121,877.54.

(2) The main reasons for the decrease in the period are as follows: 1) According to the Notice on Adjustment of Investment Relationship of Yantai Security Service Co., Ltd. issued by Yantai SASAC [2019] No.60, the investor of Yantai Security Service Co., Ltd. was changed from the Company to Yantai SASAC, which resulted in a reduction of RMB 73,182,500.00 in the Company's capital reserve; 2) Due to the change of the accounting policy of Moon Environment, the capital reserve of the Company decreased by RMB 8,759,948.32; 3) The absorption and merger of Wanhua chemical industry in the period resulted in a reduction of RMB 763,171,804.60 in the Company's capital reserve; 4) According to Yan Guo Zi [2019] No.71, Reply on Approval of Capital Reserve to Increase Registered Capital of Yantai Guofeng Investment Holding Co., Ltd. issued by Yantai SASAC, the capital reserve of the Company is converted to capital of RMB 9,000,000,000.00, and the capital reserves in the consolidated statement is not sufficient to be deducted, within the limit of the capital reserves being reduced to zero. The capital reserve of RMB 2,962,686,565.18 was correspondingly reduced, the surplus reserve of RMB 52,570,971.74 and undistributed profit of RMB 5,984,742,463.08 were written off for the insufficient part; 5) Others decreases are RMB 262,089.62.

48. Other comprehensive income

Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
1. Items that will not be reclassified subsequently to profit or loss	-3,247,874.76	22,803,385.27	49,066,500.50		4,558,587.76	10,202,167.08	34,305,745.66		-247,947.17	29,509,730.42
Including: Changes as a result of remeasurement of defined benefit plan	-3,247,874.76		-590,323.60			-146,219.74	-444,103.86		16,754.37	-3,377,340.13

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Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
Changes in fair value of other equity instrument investments		22,803,385.27	49,656,824.10		4,558,587.76	10,348,386.82	34,749,849.52		-264,701.54	32,887,070.55
II. Items that may be reclassified subsequently to profit or loss	-46,598,395.97	-42,441,693.24	-37,671,299.78	-6,432,143.59	-11,189,470.25	-2,867,313.95	-17,182,371.99	29,389,314.33	431,202.73	-62,086,886.10

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Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
Including: other comprehensive income accounted for using equity method which will be reclassified into profit or loss	255,413.68		169,671.92			42,026.76	127,645.16		27,693.48	325,133.92
Gains arising from changes in fair value of available-for-sale financial assets	42,154,060.16	-42,441,693.24	606,464.00		77,895.25	528,568.75				240,935.67

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Item	Opening balance	Changes in accounting policies	Amount for the current period					Impact of merger	Others	Closing balance
			Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the shareholder of the Company (after tax)	Attributable to minority interest (after tax)			
Effective part of gains and losses on cash flow hedging	6,011,922.70		-62,089,098.72	-6,432,143.59	-11,267,365.50	-9,582,204.69	-34,807,384.94	-2,858,094.64		-6,428,376.63
Exchange differences on translation of foreign currency financial statements	-95,019,792.51		23,641,663.02			6,144,295.23	17,497,367.79	32,247,408.97	403,509.25	-56,224,579.06
Total other comprehensive income	-49,846,270.73	-19,638,307.97	11,395,200.72	-6,432,143.59	-6,630,882.49	7,334,853.13	17,123,373.67	29,389,314.33	183,255.56	-32,577,155.68

49. Special reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Remark
Safety expenses	3,365,771.38	50,482,212.61	47,086,813.45	6,761,170.54	
Funds for maintaining simple reproduction	26,277.76	4,108,890.05	2,971,842.32	1,163,325.49	
Sinking and driving engineering cost	64,459.54			64,459.54	
Environmental restoration and governance deposit	136,424.38			136,424.38	
Development funds for switching to other production	812,371.22			812,371.22	
Total	4,405,304.28	54,591,102.66	50,058,655.77	8,937,751.17	

50. Surplus reserve

Item	Opening balance	Increase in the year	Decrease in the year (Note)	Closing balance
Statutory surplus reserve	52,570,971.74	143,552,678.68	52,570,971.74	143,552,678.68
Total	52,570,971.74	143,552,678.68	52,570,971.74	143,552,678.68

Note: The reason for the decrease in the year of surplus reserve is that Guofeng Company the capital reserve of Guofeng Company was converted into capital of RMB 9,000,000,000.00. The capital reserve is not sufficient to absorb the difference from consolidated financial statements, the excess of RMB 52,570,971.74 is adjusted against surplus reserve. See Note. V. 47. (2). 2) for details.

51. Undistributed profits

Item	Closing balance	Opening balance
Undistributed profits at the end of the prior period before adjustment	9,293,981,200.27	5,602,982,746.06

Adjusting the total undistributed profits at the beginning of the year (Increase +, Decrease -)	98,891,678.51	280,338,204.04
Undistributed profits at the beginning of year after the adjustment	9,392,872,878.78	5,883,320,950.10
Add: Net profit attributable to equity holders of the Company for the period	2,349,020,398.24	3,707,198,143.22
Less: Appropriation to statutory surplus reserve	143,552,678.68	46,146,160.43
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares	1,095,815,729.33	255,826,070.24
Conversion of ordinary shares' dividends into share capital		
Others (Note)	5,997,702,828.14	-5,434,337.62
Undistributed profits at the end of the period	4,504,822,040.87	9,293,981,200.27

Note: (1) The reason for the decrease in the year of undistributed profit - others is that the capital reserve of Guofeng Company was converted into capital of RMB 9,000,000,000.00. The capital reserve is not sufficient to absorb the difference from consolidated financial statements, the excess of RMB 5,984,742,463.08 is adjusted against undistributed profit. See Note. V. 47. (2). 4) for details; (2) Guosheng Investment Company reduced the undistributed profit of RMB 1,468,695.68 by withdrawing the employee reward and welfare fund; (3) Dividends paid by Guosheng Investment Company, Yantai Mingxiang Company and Yantai Wanhua Synthetic Leather Group Co., Ltd. (hereinafter referred to as "Wanhua Synthetic Leather Company") to Yantai SASAC decreased the undistributed profit by RMB 11,491,669.38.

52. Operating income and operating costs

Item	Amount for the current year		Amount for the prior year	
	Revenue	Cost	Revenue	Cost
Principal operation	75,424,665,368.37	53,926,586,727.88	79,059,244,811.32	51,126,229,679.74
Other	1,003,298,469.45	924,745,241.68	1,197,661,353.12	1,069,379,936.23

operation				
Total	76,427,963,837.82	54,851,331,969.56	80,256,906,164.44	52,195,609,615.97

53. Taxes and surcharges

Item	Amount for the current period	Amount for the prior period
Business tax	147,458,621.11	180,060,067.10
Urban maintenance and construction tax	135,948,313.95	248,143,070.09
Education surcharges	64,459,673.30	106,514,747.88
Local education surcharges	34,456,676.06	70,998,156.17
Local water conservancy construction fund	5,197,006.02	9,244,251.25
House property tax	37,306,393.59	39,124,504.66
Land use tax	57,613,161.32	90,684,634.70
Resources tax	58,976,016.88	14,813,295.26
Stamp duty	77,004,465.34	113,827,850.90
Environmental protection tax	51,568,077.23	68,393,425.61
Innovation contribution tax	11,360,416.23	19,417,400.20
Property tax	8,813,498.06	10,974,033.50
Land value increment tax	7,757,944.34	
Water resources tax	3,139,240.91	1,176,578.94
Vehicle and vessel use tax	65,019.14	365,697.08
Others	29,941,502.19	2,351,524.33
Total	731,066,025.67	976,089,237.67

54. Selling and distribution expenses

Item	Amount for the current period	Amount for the prior period
Logistics expenses	2,375,247,519.61	1,972,251,402.98
Staff cost	473,398,448.11	394,642,609.35
Sales commission and consulting fees	132,443,801.00	82,918,532.80
Travelling expenses	89,367,609.71	49,344,029.41

Outsourcing installation cost	52,976,113.36	51,761,751.79
Promotion expenses	33,802,798.28	39,153,514.92
Business entertainment fee	20,742,405.32	23,217,016.81
Quality compensation fee	17,530,339.29	44,667,523.12
Packing fee	16,610,230.87	96,118,474.20
Expenses for going abroad on business	8,510,294.00	6,638,122.18
Rental and property management fee	6,402,258.33	11,564,350.42
Office expenses	6,100,764.64	57,275,056.37
Handling and storage cost	6,067,433.81	54,751,948.17
Others	183,688,368.55	174,804,962.53
Total	3,422,888,384.88	3,059,109,295.05

55. General and administrative expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	1,150,131,373.05	1,125,781,611.67
Depreciations	156,030,278.95	263,922,702.76
Material consumption	91,701,352.46	55,674,560.23
Consulting fee	86,016,942.98	93,692,039.54
Information cost	73,319,585.15	45,428,374.54
Rent and property management fee	64,077,704.24	55,975,455.58
Amortisation of intangible assets	54,398,005.94	51,678,159.24
Travel expenses	46,351,515.04	31,656,144.62
Labour costs	46,300,625.57	52,405,844.68
Business entertainment fee	33,716,503.08	32,089,993.22
Insurance fee	25,371,721.51	26,920,011.44
Service fees of specialist agency	23,148,994.39	34,524,058.67
Office expenses	11,683,583.24	83,129,010.13
Others	182,150,556.49	469,871,053.19
Total	2,044,398,742.09	2,422,749,019.51

56. Research and development expenses

Item	Amount for the current period	Amount for the prior period
Staff cost	826,778,487.98	721,368,372.53
Material consumption	440,024,345.06	686,862,678.42
Depreciations and amortisations of intangible assets	507,267,080.99	227,180,840.34
Consulting fees	21,560,709.73	10,342,371.79
Labour costs	8,594,623.43	7,500,351.30
Water, electricity & gas charges	53,230,222.23	71,783,092.04
Travel expenses	29,573,992.71	25,505,771.75
Others	88,320,801.61	90,434,676.36
Total	1,975,350,263.74	1,840,978,154.53

57. Financial expenses

Item	Amount for the current period	Amount for the prior period
Interest expenses	1,355,161,016.89	1,448,988,114.37
Less: Interest income	248,921,413.68	161,809,805.68
Exchange losses	-46,359,188.05	-170,951,810.56
Bank charges	7,829,333.31	9,479,106.92
Others	93,941,003.51	62,950,933.54
Total	1,161,650,751.98	1,188,656,538.59

58. Other income

Item	Amount for the current period	Amount for the prior period
Special fund for key industries support	722,274,639.98	896,721,746.32
Awards for comprehensive utilisation of resources and energy-saving	43,748,593.98	29,388,509.32
Industrial upgrading subsidies	42,454,776.24	42,276,448.63
Key industries and comprehensive technology transformation projects	36,750,000.00	64,068,387.00
BC China and Hungary industrial park subsidies	32,949,461.81	
Special funds for improvement of key competitiveness of manufactory industry	19,735,666.72	3,271,736.16

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Subsidies for industry revitalisation and comprehensive technology transformation projects	12,341,502.48	8,333,333.28
Industry support subsidies	9,491,500.44	9,491,500.44
Environmental protection differential spandex project investment incentive fund	6,870,000.00	12,000,000.00
Subsidies for infrastructure construction	5,412,781.33	6,472,609.73
Special subsidy for green manufacturing system integration project	4,460,400.00	
Special subsidies for environmental protection	3,870,593.76	3,119,927.08
Special funds for optimisation of industrial structure	3,852,949.68	3,852,949.68
Special fund from construction of two zones	3,025,210.08	3,025,210.08
Comprehensive award and fund for technical transformation of industrial enterprises - Key industries expansion chain and supplement chain	3,000,000.00	
Funds from Miyun Finance Office	2,769,000.00	
Supporting funds for the development zone of domestic para-aramid and its combined materials for large ships	2,000,000.00	
Interest discount on loans for key industry technical transformation project	1,889,182.44	3,136,689.72
Project of replacing R22 screw single stage refrigeration system with NH ₃ / CO ₂ refrigerant system in refrigeration	1,854,353.86	1,854,353.86
Subsidies for Ningdong innovation and development project - the development of high grade warp knitted spandex production technology	1,800,000.00	
Subsidies for labor employment, social security and stabilising posts	2,071,517.25	633,102.55
Special funds for supporting enterprise development	1,600,000.00	1,900,000.00
Instant "levy and refund" of VAT	1,375,442.60	1,459,322.28
Subsidised interest for pledged loans	1,365,500.00	
Independent innovation in Shandong Province (Industrialisation technology development of Para-aramid fiber with high strength and high modulus and its key raw materials)	1,250,000.00	1,250,000.00
Special funds for innovation driven development	1,236,000.00	

(Intellectual property development)		
Subsidies for Ningdong innovation and development project - the development of new hot melt spandex products	1,215,000.00	
Special fund for innovation driven development	1,107,600.00	101,500.00
Research & Development and application demonstration of accommodation shelter in Plateau and cold zone	1,080,000.00	2,570,000.00
Special funds for laboratory construction of national aramid fiber engineering technology research center	1,006,048.36	1,006,048.36
Project of R22 replaced by R290 in medium and large scale cold brine unit for industrial refrigeration	991,051.53	
Sporadic government subsidies	914,793.85	404,101.22
Boiler flue gas ultra low emission transformation project	850,000.00	850,000.00
Fixed assets investment subsidy	825,184.50	
Park upgrading and reconstruction subsidies	805,547.08	619,140.42
Funds for key research & development projects (industrial enterprise projects above designated size) in the autonomous region in 2019 - new product development of ultra flexible and low resilience spandex	800,000.00	
Subsidised interest for loans of provincial key industry	773,333.28	773,333.31
Provincial Science and technology innovation and development fund in 2019 (financial subsidy for enterprise research and development)	769,895.05	
Recycling transformation subsidies	750,000.00	750,000.00
Technical transformation project of natural refrigerant CO ₂ refrigerating system	700,000.00	699,999.88
Supporting funds for the development of domestic para-aramid and its combined materials for large ships	630,835.42	
Standardisation funding - other income	620,000.00	370,000.00
Guiding funds of capital market innovation and development	600,000.00	
Talent construction fund of finance bureau in 2018 (leading talents of Taishan industry)	600,000.00	

Strong city award in manufacturing industry of bureau of industry and information technology of Yantai in 2018	533,900.00	
Subsidies for key projects of introducing overseas talents in the autonomous region in 2019	500,000.00	
Subsidy for Strong City Award in manufacturing industry of district level in 2018	500,000.00	
Financial batch generation plan of support fund for manufacturing industry (economic development, technology and innovation Bureau) in 2019	500,000.00	
Integrated molding and engineering fabrication of fibrous energy storage devices	488,991.00	488,991.00
Project of revamping R22 refrigeration unit line 2 with NH ₃ / CO ₂ cascade technology	454,530.00	303,020.00
Project funds for bank slopes and dikes	385,386.00	982,173.00
2018YFC0810302 - Research on the preparation, protection mechanism and indirect evaluation system of high grade arc proof textile materials	384,913.52	175,086.48
Development of fusible meta-aramid Industrialisation technology	343,750.00	343,750.00
Project of R22 replaced by refrigerant R513A in production line	324,126.49	
Exemption from value added tax	322,810.02	5,518.69
Engineering preparation of 1000 tons of para aramids and its special protection application technology development	300,000.00	
Special funds for innovation driven development in 2019 (the subsidy fund for high-tech enterprises was identified for the first time)	300,000.00	
Special funds for strategic emerging Industrialisation of the autonomous department in 2019	296,296.30	
Foreign trade public service platform construction funds	276,451.72	276,451.72
Key technology of large scale and stabilisation preparation of high performance para-aramid	275,862.12	275,862.12
Intellectual property reward fund	271,655.00	
Supporting funds for research and development zone of integrated protection technology for police vehicles and important equipment in 2019	261,000.00	

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Key technology for large scale preparation of carbon nanofibers	260,869.56	260,869.56
Project of R22 replaced by refrigerant R32 in production line	250,086.99	
Yantai science and technology development program fund	250,000.00	250,000.00
Special funds for improving quality and increasing efficiency of provincial industry (para-aramid fiber phase I Spinning Extension Project)	250,000.00	250,000.00
Financing subsidy for intellectual property pledge of small and micro enterprises	208,500.00	
Provincial industrial quality improvement and efficiency promotion funds	203,100.00	
Supporting funds for research and application demonstration development zone of individual equipment system for stab prevention and explosion protection at disaster site in 2019	200,000.00	
Special funds for non-public economic development of small and medium sized enterprises in the autonomous region in 2019	200,000.00	
Cold and hot environment engineering technology research center	189,999.97	189,999.99
Subsidised interest for imported equipments of para-aramid	183,180.00	183,180.00
High-efficiency variable frequency centrifugal chillers (heat pump) with large capacity and stepless energy regulation	180,000.00	180,000.00
Research and development ground source heat pump technology and Industrialisation project	160,002.48	1,319,040.02
Subsidy for upgrading international market development in 2019 (exhibition subsidy)	158,000.00	
Provincial Department of commerce international market opening fund subsidy	140,000.00	
Financial subsidies for research and development -[2019] No.37	139,000.00	
The second batch of financial subsidies for enterprise research and development in 2019	138,700.00	
Funding from Institute of physics and chemistry, Chinese Academy of Sciences	133,000.00	
Key technology for preparation of ultra high modulus para-aramid filament	125,000.00	125,000.00
Funds for para-aramid fabric project	125,000.00	125,000.00

Key technology for the preparation of high elongation aramid for emergency rescue and protection equipment	125,000.00	125,000.00
Engineering research center project subsidy	122,266.15	
Subsidy fund for municipal military industry qualification award in 2018	100,000.00	
Subsidy for recruitment award of Municipal Employment Service Center	100,000.00	
2018YFC0810305 - Research and development of new materials for splash protection of molten metal	99,000.00	234,000.00
Subsidy fund for enterprise research and development in 2018	97,300.00	
Research and development of integrated protection technology for police vehicles and important equipment	91,009.63	
Notice on issuing funds for the second batch of "Machines replace humans" technical transformation project award in 2016	88,000.00	88,000.00
Principle of light and high efficiency protection and forming technology of composite functional fabric	81,428.52	661,428.52
Research on application technology of domestic high performance para-aramid fiber and its fabric in bulletproof and stab-proof functional clothing	78,750.00	
Joint development project of variable frequency screw chiller	72,000.00	72,000.00
Energy saving and utilisation (centrifugal chiller)	71,042.99	85,684.50
Refund of service charge for withholding individual income tax	67,119.62	5,162.18
Engineering development of high toughness domestic aramid II Bullet Resistant Fiber	62,500.00	
Full liquid type of air-cooled heat pump unit	51,699.60	168,366.23
Subsidy for demolition	46,970.00	11,798,343.87
Research and development of vertical fully enclosed screw technology	43,991.16	36,000.00
Financial subsidies for research and development -[2019] No.21	41,700.00	
Key technology and industrialisation of preparation of high performance fiber mica insulated combined materials	38,029.11	

Patent creation funds	38,000.00	138,400.00
Standardised funding of Yantai municipal market supervision and administration	30,000.00	
Subsidy of patent awards of Provincial Intellectual Property Development Center in 2019	4,000.00	
Subsidies for intellectual property invention patent	3,000.00	
Hart patent subsidy	900.00	
Special fund for industrial transformation and upgrading		16,359,300.00
Provincial business development fund		1,106,000.00
Provincial special fund for new material industry cluster in 2018		465,000.00
Demonstration project of green new building and energy saving integration industry		240,000.00
First identified as high supporting funds		210,000.00
Key Research and Development Program Fund in Shandong Province		150,000.00
Differential spandex technology research and development service center and spandex product performance testing platform project		3,000,000.00
Supporting funds for integrated molding and engineering fabrication of fibrous energy storage devices in 2017		2,000,000.00
Yantai Development Zone Standard Award (1 industry standard and 6 national standards)		1,293,283.60
Provincial supporting fund for key technology development zone of super high mode para-aramid filament preparation		723,893.96
Major special plan for transformation of independent innovation achievements		500,000.00
Special Award for Scientific and Technological Talents		500,000.00
Research and development and application demonstration of individual equipment system for stab prevention and explosion protection in disaster site		310,000.00
Supporting funds for research and development zone of integrated protection technology for police vehicles and important equipment in 2017		244,013.28
Special fund for foreign economic and trade		164,300.00

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development		
Research on common key technologies and industrialisation of high performance fiber paper based composites		102,800.00
Special funds for innovation driven development (intellectual property development)		100,000.00
Cultivation of high-tech enterprises		100,000.00
Four control multifunctional air cooled hot water chillers		200,000.00
Development of DEL water cooled chiller for nuclear island		84,000.00
Environmental protection and low carbon heat pump technology heating demonstration project		490,000.00
Energy saving and utilisation		100,000.00
Fund for technical transformation project of cold and hot interconnected refrigeration system		200,000.00
Subsidy for low consumption direct air closed spiral tower quick freezing device project of Yantai Finance Bureau		400,000.00
Increase of operating cost grant for HCFCs replacement project of Ministry of environmental protection		7,835,298.00
Project funds for low energy consumption and intelligent quick freezing technology and equipment development of prefabricated prepared food		131,000.00
792971 Application of R134a refrigerant instead of R22 in central air conditioning production line		792,971.00
Research and development of new nuclear power grade refrigeration units		700,000.00
Environmental protection and low carbon heat pump technology heating demonstration project		210,000.00
Standardisation fund for Yantai bureau of quality and technical supervision		20,000.00
Others	25,273,814.16	29,351,890.11
Total	1,021,529,993.83	1,187,630,027.15

59. Investment income

Item	Amount for the current	Amount for the prior
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	period	period
Income from long-term equity investments under equity method	85,937,188.58	111,488,717.98
Gains on disposal of long-term equity investments	-6,470,826.05	-32,228,371.18
Investment income from financial assets measured at fair value through current profit or loss during holding period	1,789,796.51	1,515,771.62
Investment income from disposal of financial assets measured at fair value through profit or loss	39,826,142.62	582,347.84
Investment income from available-for-sale financial assets during holding period	34,181,733.60	16,678,317.95
Investment income from disposal of available-for-sale financial assets	5,668,912.40	36,465,800.82
Investment income from financial products	25,293,387.67	35,846,190.03
Investment income from entrusted loans	11,049,885.50	1,613,867.14
Cash dividends		30,316,379.04
Interest income from debt investments during holding period	1,492,182.00	
Gains on disposal of held-for-trading financial assets	89,117,420.02	
Investment income from other non-current financial assets during holding period	19,256,198.00	
Gains on disposal of other non-current financial assets	9,063,053.02	
Gains on disposal of receivables financing	-3,059,875.00	
Others	6,643,889.70	7,038,623.36
Total	319,789,088.57	209,317,644.60

60. Gains from changes in fair values

Sources of gains on changes in fair value	Amount for the current period	Amount for the prior period
Financial assets held for trading	12,288,750.09	
Financial assets at fair value through profit or loss	-32,434.18	-5,029,663.82
Financial liabilities at fair value through profit or loss		-636,143.14

Other non-current financial assets	259,300,310.62	
Total	271,556,626.53	-5,665,806.96

61. Credit impairment losses

Item	Amount for the current period	Amount for the prior period
I. Impairment loss on accounts receivable	-46,355,529.53	
II. Impairment loss on other receivables	-561,764.87	
III. Impairment loss on notes receivable	-193,200.48	
IV. Impairment loss on long-term receivables	-324,000.00	
Total	-47,434,494.88	

62. Impairment losses of assets

Item	Amount for the current period	Amount for the prior period
I. Losses on decline in value of inventories	2,447,532.93	-73,544,351.15
II. Bad debt losses	-245,605,051.88	-127,913,205.77
III. Impairment losses on available-for-sale financial assets	-10,433,824.16	
IV. Impairment losses on fixed assets	-2,178,435.72	-10,403,852.40
V. Impairment losses on construction in progress	-352,687,456.92	-476,452.71
VI. Impairment on long-term equity investments		-20,823,559.61
Total	-608,457,235.75	-233,161,421.64

63. Gains on disposal of assets

Item	Amount for the current period	Amount for the prior period
Gains on disposal of non-current assets	24,588,913.55	34,121,890.30
Total	24,588,913.55	34,121,890.30

64. Non-operating income

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Gains from damage or scrapping of non-current asset	480,016.46	3,272,805.17	480,016.46
Gains from debt restructuring	1,270,389.90	591,063.00	1,270,389.90
Government grants not related to the ordinary course of business	969,389.35	4,412,159.65	969,389.35
Income from other compensations	52,479,965.54	4,316,754.97	52,479,965.54
Income from fines	651,256.48	140,122.66	651,256.48
Performance compensation	2,145,600.00		2,145,600.00
Payables that cannot be paid	836,988.79		836,988.79
Others	31,553,003.45	7,648,074.24	31,553,003.45
Total	90,386,609.97	20,380,979.69	90,386,609.97

65. Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Losses from damage or scrapping of non-current assets	105,175,996.97	425,594,311.13	105,175,996.97
Loss from debt restructuring	2,583,470.25	4,246,682.73	2,583,470.25
Donations to third parties	10,885,950.99	9,151,417.19	10,885,950.99
Amercement outlay	1,019,596.09	973,283.11	1,019,596.09
Amortised insurance indemnity	4,633,028.70		4,633,028.70
Tax overdue fine	1,610.46	457.51	1,610.46
Others	10,715,979.95	10,999,206.01	10,715,979.95
Total	135,015,633.41	450,965,357.68	135,015,633.41

66. Income tax expenses

Item	Amount for the current period	Amount for the prior period
Current tax expense	1,490,226,208.05	3,322,037,645.60

Deferred tax expense	295,019,813.63	188,905,095.93
Total	1,785,246,021.68	3,510,942,741.53

67. Notes to Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	Amount for the current year	Amount for the prior year
Government grants received	997,336,018.02	1,094,682,237.32
Interests income	196,358,892.15	121,353,075.45
Deposits and security deposits recovered	144,510,341.69	72,590,519.50
Cash and bank balances with restrictions recovered	1,042,685,344.65	
Current accounts and others	1,883,136,370.79	1,005,043,547.20
Total	4,264,026,967.30	2,293,669,379.47

(2) Other cash payments relating to operating activities

Item	Amount for the current year	Amount for the prior year
Total expenses paid	4,349,863,383.47	4,422,075,194.11
Cash and bank balances with restrictions paid	57,955,745.64	962,995,213.72
Deposits and security deposits paid, etc.	131,449,083.20	104,811,812.94
Current accounts and others	2,534,913,295.67	589,761,715.42
Total	7,074,181,507.98	6,079,643,936.19

(3) Other cash receipts relating to investing activities

Item	Amount for the current year	Amount for the prior year
Current accounts	172,754,849.17	155,390,150.28
Withdrawal of term deposit at maturity	12,950,000.00	
Net cash receipts from subsidiaries	28,814,583.16	5,400,404.72
Interest income received	6,437,945.35	

Others	175,779.00	
Total	221,133,156.68	160,790,555.00

(4) Other cash payments relating to investing activities

Item	Amount for the current year	Amount for the prior year
Current accounts	1,509,416,858.90	
Net cash decrease from disposal of subsidiaries	66,893,655.55	
Project deposit		921,393.80
Others	508,191.10	24,815,352.93
Total	1,576,818,705.55	25,736,746.73

(5) Other cash receipts relating to financing activities

Item	Amount for the current year	Amount for the prior year
Interest received on multi-currency interest rate swap contracts	81,476,708.00	106,007,063.08
Current accounts	32,300,000.00	
Cash received on a loan pledged by note	17,351,322.00	
Others	10,000.00	117,997,539.46
Total	131,138,030.00	224,004,602.54

(6) Other cash payments relating to financing activities

Item	Amount for the current year	Amount for the prior year
Principal and interest of perpetual bond		1,000,000,000.00
Repayment of finance lease	193,180,986.17	154,222,271.50
Deposits for receiving loans	2,720,000.00	900,100,000.00
Purchase of minority shareholders' equity	20,000,000.00	
Payment on minority shareholders' capital reduction	2,918,323.10	2,889,959.00
Payment of financing charges	1,869,741.21	30,376,663.09
Expenses for additional issuance of new shares	680,753.79	

Current accounts and others	214,941,501.82	51,858,646.84
Total	436,311,306.09	2,139,447,540.43

68. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement:

Supplementary information	Amount for the current year	Amount for the prior year
I. Reconciliation of net profit to cash flow from operating activities:		
Net profit	11,392,975,546.63	15,824,429,517.05
Add: Impairment losses of assets	608,457,235.75	233,161,421.64
Impairment loss of credit	47,434,494.88	
Depreciation of fixed assets, oil and gas assets, productive biological assets	4,719,546,756.04	4,257,227,839.27
Amortisation of intangible assets	389,471,597.12	242,573,535.16
Amortisation of long-term prepaid expenses	7,500,215.65	10,135,481.43
Losses on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by “—”)	-13,975,820.46	-34,121,890.30
Losses on retirement of fixed assets (income is indicated by “—”)	104,695,806.88	422,321,505.96
Losses on changes in fair value (income is indicated by “—”)	-271,556,626.53	5,665,806.96
Financial expenses (income is indicated by “—”)	1,368,353,865.44	1,554,027,265.16
Investment losses (income is indicated by “—”)	-319,789,088.57	-209,317,644.60
Decrease in deferred tax assets (increase is indicated by “—”)	269,290,671.86	154,892,074.93
Increase in deferred tax liabilities (decrease is indicated by “—”)	36,313,372.09	22,703,530.61
Decrease in inventories (increase is indicated by “—”)	440,216,140.13	-1,456,849,389.39
Decrease in receivables from operating activities (increase is indicated by “—”)	4,114,937,837.56	1,914,301,468.68
Increase in payables from operating activities (decrease is indicated by “—”)	3,460,518,577.58	-45,299,067.83
Others	-87,342,084.42	-65,229,919.36

Net cash flow from operating activities	26,267,048,497.63	22,830,621,535.37
II. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases	2,138,427,645.04	1,905,342,398.13
III. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	7,714,068,694.58	8,298,204,636.44
Less: Opening balance of cash and cash equivalents	8,298,204,636.44	6,242,302,378.98
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-584,135,941.86	2,055,902,257.46

(2) Composition of cash and cash equivalents:

Item	Closing balance	Opening balance
I. Cash	7,714,068,694.58	8,298,204,636.44
Including: Cash on hand	2,146,298.21	4,017,081.12
Cash at bank that can be readily drawn on demand	7,485,002,489.86	7,848,363,442.09
Other monetary funds that can be readily drawn on demand	226,919,906.51	445,824,113.23
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	7,714,068,694.58	8,298,204,636.44
Including: Restricted cash and cash equivalents of the Parent and subsidiaries within the Group		

69. Restricted ownership of asset and right of use

Item	Closing book value	Reasons to be restricted
Cash and bank balances	272,476,025.90	The court froze funds, deposits for bank acceptance bills, deposits for letter of credit, LPG paper deposits, procurement deposit, deposits for product registration, tax authorities and railway authorities, etc.

Notes receivable	133,080,259.84	Pledged for obtaining bank loans, opening acceptance bills, customs tax guarantee, large amount acceptance in bill pool and small amount acceptance pledge.
Receivables financing	2,501,568,388.38	Pledged for obtaining bank loans, opening acceptance bills and letter of credit
Inventories	106,494,003.00	The mortgage is used to obtain the loans
Fixed assets	5,963,732,494.40	The mortgage is used to obtain the loans
Intangible assets	25,605,146.43	Pledged and mortgaged for obtaining loans
Other non-current financial assets	426,892,000.00	Pledged for obtaining loans
Available-for-sale financial assets	45,195,202.07	The pledge is used to provide security
Total	9,475,043,520.02	

VI. CHANGES IN CONSOLIDATION SCOPE

Name of subsidiary	Consolidated subsidiary in 2018 (Yes/No)	Consolidated subsidiary in 2019 (Yes/No)	Reasons for changes
Wanhua Industrial Group Co., Ltd. ("Wanhua Industry") (Note 1)	Yes	Yes	
Yantai Wanhua Chemical Industry Co., Ltd. ("Wanhua Chemical Industry") (Note 1)	Yes	No	Cancellation
Wanhua Chemical Group Co., Ltd. ("Wanhua Chemical") (Note 1)	Yes	Yes	
Yantai Tayho Advanced Materials Group Co., Ltd.	Yes	Yes	
Yantai Moon Group Co., Ltd.	Yes	Yes	
JCC Guoxing (Yantai) Copper Co., Ltd. (Note 2)	Yes	No	Note 2
Yantai Mingxiang Holdings Co., Ltd. (Note 3)	No	Yes	Free transfer
Yantai Wanhua Synthetic Leather Group Co., Ltd. (Note 3)	No	Yes	Free transfer
Yantai Guosheng Investment Management Co., Ltd. (Note 3)	No	Yes	Free transfer
Yantai Guotai Chengfeng Asset Management Co., Ltd.	No	Yes	New subsidiary
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	No	Yes	New subsidiary

Yantai Offshore Engineering Investment Development Co., Ltd.	No	Yes	New subsidiary
Yantai MetaStar Special Paper Co., Ltd. ("MetaStar Company") (Note 4)	No	Yes	Note 4

Note 1: As at 31 January 2018, Wanhua Chemical's original controlling shareholder, Wanhua Industry was successfully divided with the original company survival. In details, Wanhua Industry was divided into Wanhua Industry, as the surviving company, and Wanhua Chemical Industry, as the newly established company. Subsequent to this division, the parent company of Wanhua Chemical was changed from Wanhua Industry to Wanhua Chemical Industry, with the ultimate controlling shareholder unchanged, still the Yantai SASAC.

As at 19 July 2018, the proposal for material asset reorganisation of Wanhua Chemical by merging Wanhua Chemical Industry was approved in the third extraordinary general shareholder meeting. The transaction for merging Wanhua Chemical Industry into the Company was approved by the Review Committee for M&A and Reorganisation of Listing Company of China Securities Regulatory Commission at the 39th M&A and Reorganisation Committee working conference in 2018 held on 16 August 2018.

As at 31 January 2019, an Asset Closing Agreement was made and entered into by and between Wanhua Chemical and Wanhua Chemical Industry for assets and liabilities involved in the merger, in which the parties agreed to determine the date of 31 January 2019 as the asset closing date for this merger. From the asset closing date, all assets, liabilities, contracts and all other rights, obligations and responsibilities of Wanhua Chemical Industry are enjoyed and assumed by Wanhua Chemical. As of 12 February 2019, procedures for the closing of the assets and liabilities under this merger have been completed.

Note 2: According to the Yantai SASAC [2018] No.64 "reply on agreeing to transfer 65% equity of Yantai Guoxing Copper Co., Ltd.", Guofeng Company is agreed to external transfer 65% equity of Yantai Guoxing Copper Co., Ltd. (hereinafter referred

to as “Guoxing Copper”). On 3 January 2019, Jiangxi Copper Co., Ltd. (“Jiangxi Copper”) signed an investment agreement with Guofeng Company. Guofeng Company transferred 65% equity of Guoxing Copper to Jiangxi Copper, and Jiangxi Copper obtained the control right of Guoxing Copper. The above equity transfer and industrial and commercial change would be completed on 22 March 2019, and the company name would be changed from Yantai Guoxing Copper Co., Ltd. to JCC Guoxing (Yantai) Copper Co., Ltd. (hereinafter referred to as “JCC Guoxing”). Hereafter, Guofeng Company holds 35% equity of JCC Guoxing, which is no longer included in the consolidation scope.

Note 3: On 16 September 2019, the state owned assets supervision and Administration Commission of Yantai City issued “the notice on adjusting the management system of companies directly under the state owned assets supervision and Administration Commission of Yantai City” (Yan Guo Zi [2019] No.61), which free transferred 100% of the state-owned equity of Guosheng Investment Company, 100% of Wanhua Synthetic Leather Company and 52% of Yantai Mingxiang Company to the Company. The base date of free transfer is 31 August 2019. As the free transfer of state-owned equity belongs to the overall adjustment of state-owned assets supervision and management, it is deemed that the control right has not changed, and the accounting treatment is carried out according to the principle of business combination under the same control.

Note 4: Guosheng Investment Company holds 39% of the shares in MetaStar Company, Tayhe Group holds 16.84% of the shares in MetaStar Company, and Tayhe Advanced Materials holds 15.00% of the shares in MetaStar Company. According to the director appointment announcement of MetaStar Company on 10 October 2019, the board of directors of MetaStar Company is composed of five members, of which Guofeng Company has three members, with actual control rights, therefore, Guofeng Company incorporated MetaStar Company into the consolidation scope in 2019.

VII. INTERESTS IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the Group:

Name of significant subsidiary	Main location	Registration location	Operation nature	Proportion (%)		Method of getting the subsidiary
				Direct	Indirect	
Wanhua Chemical Group Co., Ltd.	China	Yantai	Manufacturing	21.59		Obtained by transfer
Wanhua Industrial Group Co., Ltd.	China	Yantai	Manufacturing	39.497		Obtained by transfer
Yantai Tayho Advanced Materials Co., Ltd.	Yantai	Yantai	Manufacturing	51.00		Obtained by transfer
Yantai Moon Group Co., Ltd.	Yantai	Yantai	Manufacturing	52.00		Obtained by transfer
Yantai Mingxiang Holdings Co., Ltd.	Yantai	Yantai	Manufacturing	52.00		Obtained by transfer
Yantai Wanhua Synthetic Leather Group Co., Ltd.	Yantai	Yantai	Manufacturing	100.00		Obtained by transfer
Yantai Guosheng Investment Holding Co., Ltd.	Yantai	Yantai	Service	100.00		Obtained by transfer
Yantai Guotai Chengfeng Asset Management Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Yantai Guocheng Yufeng Merchants Service Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Yantai Offshore Engineering Investment Development Co., Ltd.	Yantai	Yantai	Service	100.00		Established by investment
Yantai MetaStar Special Paper Co., Ltd.	Yantai	Yantai	Manufacturing		70.84	See Note VI. Note 4
Yantai Tayho Advanced Materials Co., Ltd.	Yantai	Yantai	Manufacturing		35.50	Obtained by transfer
Moon Environment Technology Co., Ltd.	Yantai	Yantai	Manufacturing		36.12	Obtained by transfer
Yantai Ishikawa Sealing Technology Co., Ltd.	Yantai	Yantai	Manufacturing		63.90	Obtained by transfer

(2) Significant non-wholly owned subsidiaries:

Name of subsidiary	Proportion of minority interest (%)	Profit and loss attributable to minority interest	Dividends declared to be distributed to minority interest in the period	Closing balance of minority interest
Wanhua Chemical Group Co., Ltd.	78.41	8,406,255,037.21	5,413,316,797.90	34,784,850,957.05
Yantai Tayho Advanced Materials Group Co., Ltd.	49.00	178,031,011.25	26,648,230.00	2,368,150,750.27
Yantai Moon Group Co., Ltd.	48.00	409,555,182.42	71,135,811.10	3,505,725,562.17
Wanhua Industrial Group Co., Ltd.	60.503	37,900,399.61	18,825,000.00	3,180,220,958.02

(3) Financial information in significant not-wholly-owned subsidiaries:

Name of subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Chemical Group Co., Ltd.	23,483,577,397.65	73,381,745,257.64	96,865,322,655.29	44,799,566,175.61	8,134,497,508.05	52,934,063,683.66
Yantai Tayho Advanced Materials Co., Ltd.	2,107,753,648.15	2,335,755,562.04	4,443,509,210.19	693,148,234.34	885,682,136.04	1,578,830,370.38
Yantai Moon Group Co., Ltd.	4,444,450,117.62	3,168,178,037.36	7,612,628,154.98	2,796,755,347.88	720,627,526.93	3,517,382,874.81
Wanhua Industrial Group Co., Ltd.	2,231,067,431.09	4,749,006,554.61	6,980,073,985.70	1,285,125,767.13	563,870,716.45	1,848,996,483.58

(Continued)

Name of subsidiary	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Chemical Group Co., Ltd.	30,893,003,635.65	56,170,453,845.10	87,063,457,480.75	39,894,848,614.57	7,586,284,857.85	47,481,133,472.42
Yantai Tayho	2,094,134,744.98	1,827,974,089.31	3,922,108,834.29	1,283,640,794.81	53,810,548.42	1,337,451,343.23

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Advanced Materials Group Co., Ltd.						
Yantai Moon Group Co., Ltd.	3,858,745,861.31	2,721,597,241.36	6,580,343,102.67	2,987,022,430.92	186,931,999.82	3,173,954,430.74
Wanhua Industrial Group Co., Ltd.	1,836,479,183.41	4,937,488,206.35	6,773,967,389.76	1,147,383,965.00	566,097,560.11	1,713,481,525.11

Name of subsidiary	Amount for the current year			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	68,050,668,650.78	10,593,318,819.77	10,570,683,614.01	25,932,941,200.65
Yantai Tayho Advanced Materials Group Co., Ltd.	2,540,319,053.95	218,596,407.44	218,596,407.44	312,297,034.18
Yantai Moon Group Co., Ltd.	3,821,256,096.40	489,174,191.74	489,174,191.74	370,106,245.12
Wanhua Industrial Group Co., Ltd.	1,468,983,032.52	38,246,383.60	38,246,383.60	185,098,730.41

(Continued)

Name of subsidiary	Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Chemical Group Co., Ltd.	72,837,108,238.47	16,072,464,987.71	16,055,620,850.60	22,877,296,893.61
Yantai Tayho Advanced Materials Group Co., Ltd.	2,170,662,824.49	153,130,271.43	153,130,271.43	97,111,863.83
Yantai Moon Group Co., Ltd.	4,066,475,178.60	335,600,941.31	197,318,093.63	352,777,363.06
Wanhua Industrial Group Co., Ltd.	782,514,668.23	1,181,618,797.43	1,181,618,797.43	-282,485,711.54

(4) There are no significant limitations on use of the group assets and pay off the group debts.

(5) There is no financial or other support provided to structured entities included in consolidated financial statements.

(6) There is no other description of equity in subsidiaries.

2. Interests in joint ventures or associates

(1) Significant joint ventures or associates:

Name of joint ventures or associates	Main location	Registration location	Operation nature	Proportion (%)		Accounting method
				Direct	Indirect	
I. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	China	Yantai	Service		50.00	Equity method
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	China	Ningbo	Manufacturing		55.00	Equity method
Yantai Tayho Engineering Materials Co., Ltd. (Note 3)	China	Yantai	Manufacturing		30.00	Equity method
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai	Yantai	Manufacturing		45.00	Equity method
II. Associates						
Yantai Bulk Commodity Exchange Center (Note 4)	China	Yantai	Service		20.00	Equity method
Yantai Wanhua Chlor-Alkali Co., Ltd. (Note 5)	China	Yantai	Manufacturing		20.00	Equity method
Linde Gas (Yantai) Co., Ltd. (Note 6)	China	Yantai	Manufacturing		10.00	Equity method

Note 1: The original registration capital of Yantai Harbor Wanhua Industrial Park Port Co., Ltd. was RMB 120,000,000.00, for which Wanhua Chemical holds 50% of shares. According to the articles of association, the board of directors is composed of seven directors, among which Wanhua Chemical has three directors. Major matters of Wanhua industrial park shall be passed with the consent of at least two thirds of the directors, therefore, it is a joint venture which is being jointly controlled and thus equity method is adopted. In 2015, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 320,000,000.00, in which Wanhua Chemical added investments by RMB 100,000,000.00 in cash, with the shareholding proportion unchanged, still being 50%. In 2018, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 520,000,000.00, in which Wanhua Chemical added investments by RMB 100,000,000.00 in cash with the shareholding

proportion unchanged, still being 50%.

Note 2: Ningbo Xiebei Thermal Power Co., Ltd. was jointly invested by Wanhua Thermal Power (a subsidiary of Wanhua Chemical) and Hong Kong Liwan Group Co., Ltd., Wanhua Thermal Power holds 55% equity of the Company, totally contributing RMB 148,500,000.00; Hong Kong Liwan Group Co., Ltd. holds 45% equity of the Company, totally contributing RMB 121,500,000.00. According to the articles of association of Xiebei Thermal Power, the board of directors consists of five directors, including three directors assigned by the Group. Resolutions are entered into force upon agreement of two thirds of directors, therefore, it is accounted as a joint venture using equity method as it is jointly controlled by both parties.

Note 3: The articles of association of Yantai Tayho Engineering Materials Co., Ltd. (hereinafter referred to as "Engineering Materials Company") stipulates that the board of directors is composed of three directors, one of whom is recommended by Yantai Tayho Advanced Materials Co., Ltd., one of whom is recommended by Yantai Venture High-tech Co., Ltd. and one of whom is recommended by Yantai Huide Chemical Co., Ltd., and elected by the shareholders' meeting in equal amount. The decisions made by the board of directors on the matters discussed shall be valid only if they are unanimously approved by all the directors. The judgment of Tayho Advanced Materials has a significant impact on the Engineering Materials Company after the completion of complete the industrial and commercial modification procedures, thus it is accounted for using the equity method.

Note 4: Yantai Bulk Commodity Exchange Center is a joint venture co-founded by Yantai Lianhe Equity Exchange Center Co., Ltd., Yantai Lianchu Fruit Cold Storage Co., Ltd. and Wanhua Chemical, for which Wanhua Chemical holds 20% of shares and subscribed a capital amounting to RMB 10,000,000.00, equal to the actually paid capital. According to the articles of association, the board of directors is composed of five directors, among which Wanhua Chemical has one directors. Therefore, the

Company can exert significant influence over the operating policy decisions and thus equity method is adopted.

Note 5: The registered capital of Yantai Wanhua Chlor-Alkali Co., Ltd. is RMB 44 million, and Wanhua Chemical holds 20% of equity interests. According to the articles of association, the board of directors is composed of five directors, and Yantai Xinyuan Investment Co., Ltd., a subsidiary of Wanhua Chemical, appoints two directors. Therefore, it has a significant impact on the company's business decisions, and thus equity method is adopted.

Note 6: Linde Gas (Yantai) Co., Ltd. (hereinafter referred to as "Linde Gas") is a joint venture co-founded by Linde Gas (Hong Kong) Co., Ltd. and Wanhua Chemical; Wanhua Chemical holds 10% of equity interest. According to the Articles of the Linde Gas, the board of directors consists of five directors, one of which is appointed by Wanhua Chemical, therefore Wanhua Chemical can exert significant influence over the operating policy decisions and thus equity method is adopted. In 2019, Linde Gas made resolutions to increase capital to RMB 917,092,489.58, in which Wanhua Chemical added investments by RMB 12,043,148.96 in cash with the shareholding proportion unchanged, still being 10%.

(2) Financial information in significant joint ventures:

	Closing balance / Amount for the current year			
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai Tayho Engineering Materials Co., Ltd.
Current assets	115,565,403.91	199,787,297.85	288,976,161.08	14,061,707.54
Non-current assets	1,939,249,518.72	652,652,500.60	129,808,802.94	6,246,134.72
Total assets	2,054,814,922.63	852,439,798.45	418,784,964.02	20,307,842.26
Current liabilities	108,252,217.66	443,623,322.81	147,722,438.46	4,166,377.47

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Non-current liabilities	1,333,750,369.12			
Total liabilities	1,442,002,586.78	443,623,322.81	147,722,438.46	4,166,377.47
Minority interests				
Equity attributable to equity holders of the Company	612,812,335.85	408,816,475.64	271,062,525.56	16,141,464.79
Share of net asset calculated by share-holding proportion	306,406,167.92	224,849,061.61	125,517,023.34	4,842,439.44
Adjustments				
--Goodwill				
--Unearned profits from internal transactions				-176,334.08
--Others				
Book value of equity investment in associates	306,406,167.92	224,849,061.61	125,517,023.34	4,666,105.36
Fair value of equity investments in joint ventures where there is quoted price				
Operating income	218,976,986.60	797,576,857.09	418,355,935.89	20,462,096.76
Net profit	4,340,731.42	108,947,435.87	26,529,376.87	1,392,408.40

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	4,340,731.42	108,947,435.87	26,529,376.87	1,392,408.40
Dividends received from joint ventures in the current year		63,800,000.00		

(Continued)

	Opening balance / Amount for the prior year			
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Hyundai MOON Heavy Industry Co., Ltd.	Yantai Tayho Engineering Materials Co., Ltd.
Current assets	96,122,652.86	188,614,931.18	153,675,389.93	14,657,747.65
Non-current assets	1,599,087,023.07	670,630,035.91	139,716,626.56	7,481,107.30
Total assets	1,695,209,675.93	859,244,967.09	293,392,016.49	22,138,854.95
Current liabilities	484,124,606.37	394,883,175.41	49,230,002.44	7,389,798.56
Non-current liabilities	602,613,465.13	50,000,000.00		
Total liabilities	1,086,738,071.50	444,883,175.41	49,230,002.44	7,389,798.56
Minority interests				
Equity attributable to equity holders of the Company	608,471,604.43	414,361,791.68	244,162,014.05	14,749,056.39

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Share of net asset calculated by share-holding proportion	304,235,802.22	227,898,985.41	114,140,091.56	4,424,716.92
Adjustments				
--Goodwill				
--Unearned profits from internal trans-actions				-236,471.57
--Others				
Book value of equity investment in associates	304,235,802.22	227,898,985.41	114,140,091.56	4,188,245.35
Fair value of equity investments in joint ventures where there is quoted price				
Operating income	171,494,207.34	799,885,617.39	340,703,385.25	22,263,998.33
Net profit	29,704,132.19	129,344,081.78	6,550,551.80	1,902,732.37
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	29,704,132.19	129,344,081.78	6,550,551.80	1,902,732.37
Dividends received from joint ventures in the current year		66,304,460.18		

(3) Main financial information in significant associates:

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	Closing balance / Amount for the current year		
	Linde Gas (Yantai) Co., Ltd.	Yantai Bulk Commodity Exchange Center	Yantai Wanhua Chlor-Alkali Co., Ltd.
Current assets	163,743,832.20	36,140,716.21	54,300,712.45
Non-current assets	1,154,709,731.89	10,949,595.96	609,821,946.79
Total assets	1,318,453,564.09	47,090,312.17	664,122,659.24
Current liabilities	93,191,236.18	732,054.70	31,415,820.07
Non-current liabilities	301,441,277.87		221,180,430.00
Total liabilities	394,632,514.05	732,054.70	252,596,250.07
Minority interests			
Equity attributable to equity holders of the Company	923,821,050.04	46,358,257.47	411,526,409.17
Share of net asset calculated by share-holding proportion	92,382,105.00	9,271,651.49	82,305,281.83
Adjustments			
--Goodwill			
--Unearned profits from internal transactions			
--Others			
Book value of equity investment in associates	92,382,105.00	9,271,651.49	82,305,281.83
Fair value of equity investments in associates where there is quoted price			
Operating income	552,479,643.09	337,427.69	32,638,983.67
Net profit	22,702,954.45	-697,821.91	101,908,378.32

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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Net profit from discontinued operations			
Other comprehensive income			
Total comprehensive income	22,702,954.45	-697,821.91	101,908,378.32
Dividends received from joint ventures in the current year			5,280,000.00

(Continued)

	Opening balance / Amount for the prior year		
	Linde Gas (Yantai) Co., Ltd.	Yantai Bulk Commodity Exchange Center	Yantai Wanhua Chlor-Alkali Co., Ltd.
Current assets	295,665,356.19	36,277,261.25	58,505,967.14
Non-current assets	971,371,314.54	11,568,390.16	558,953,688.38
Total assets	1,267,036,670.73	47,845,651.41	617,459,655.52
Current liabilities	70,469,788.32	789,572.03	84,151,595.97
Non-current liabilities	340,297,617.56		230,345,457.00
Total liabilities	410,767,405.88	789,572.03	314,497,052.97
Minority interests			
Equity attributable to equity holders of the Company	856,269,264.85	47,056,079.38	302,962,602.55
Share of net asset calculated by share-holding proportion	85,626,926.49	9,411,215.88	60,592,520.51
Adjustments			
--Goodwill			
--Unearned profits from internal transactions			

--Others			
Book value of equity investment in associates	85,626,926.49	9,411,215.88	60,592,520.51
Fair value of equity investments in associates where there is quoted price			
Operating income	608,832,381.09	2,971.71	44,134,838.21
Net profit	77,364,543.52	-2,828,907.90	130,586,674.35
Net profit from discontinued operations			
Other comprehensive income			
Total comprehensive income	77,364,543.52	-2,828,907.90	130,586,674.35
Dividends received from joint ventures in the current year			

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. The Parent of the Company

The Company's ultimate controlling party is Yantai SASAC. The proportion of shares held by the controlling shareholder is 100% and the proportion of voting rights is 100%.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VII. 1.

3. Associates and joint ventures of the Company

Please refer to Note VII. 2 for significant associates and joint ventures of the Company. Details of joint ventures or associates having related party transactions with the Company during the period, or balances with the Company during the prior period:

Name of joint ventures or associates	Relationship with the Company
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Associate of sub-subsidiary
Cabero Heat Exchanger Yantai Co., Ltd.	Associate of sub-subsidiary
Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Associate of sub-subsidiary
Qingdao Daneng Environmental Protection Equipment Co., Ltd.	Associate of sub-subsidiary
Linyi Smart New Energy Technology Co., Ltd.	Associate of sub-subsidiary
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Associate of sub-subsidiary

4. Other related parties

Other related parties	Relationship between other related parties and the Group
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Ecoboard (Xinyang) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Company where a nature person associated with the Company acts as a director
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Company where a nature person associated with the Company acts as a director
Yantai Wanhua Micro Fibre Co., Ltd.	Subsidiary's invested company
Wanhua Ecoboard Co., Ltd.	Associate of subsidiary
Wanhua Eco-technology (Yantai) Co., Ltd.	Subsidiary of subsidiary's associate
Yantai Huali Thermoelectricity Supply Co., Ltd.	Subsidiary of subsidiary's associate
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Controlled by an executive of sub-subsidiary

Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Associate of subsidiary
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Controlled by an associate of sub-subsidiary
Linyi Smart New Energy Technology Co., Ltd.	Associate of subsidiary
Yantai Hourui Investment Center (Limited Partnership)	Shareholder of subsidiary
Japan's Ishikawa Sealing Gasket Co., Ltd.	Shareholder of subsidiary

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services:

1) Sales of goods / provision of services:

Related party	Types of related party transaction	Amount for the current year	Amount for the prior year
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Sales of goods / Provision of services		27,997,819.63
Wanhua Ecoboard (Xinyang) Co., Ltd.	Sales of goods / Provision of services	1,504,686.72	
Wanhua Ecoboard Co., Ltd.	Sales of goods / Provision of services	461,743.36	
Wanhua Hexiang Ecoboard (Gong An County) Co., Ltd.	Sales of goods / Provision of services	1,875,730.97	
Wanhua Hexiang Ecoboard (Jingmen) Co., Ltd.	Sales of goods / Provision of services	31,534,552.65	
Wanhua Hexiang Ecoboard (Huaiyuan) Co., Ltd.	Sales of goods / Provision of services	508,849.56	
Tongling Wanhua Hexiang Ecoboard Co., Ltd.	Sales of goods / Provision of services	243,362.83	
Wanhua Eco-technology (Yantai) Co., Ltd.	Sales of goods / Provision of services	328,346,232.92	275,255,912.08
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Sales of goods / Provision of services	1,339,385.99	1,180,843.64
Linde Gas (Yantai) Co., Ltd.	Sales of goods / Provision of services	362,682,272.92	326,986,774.98
Ningbo Xiebei Thermal Power Co., Ltd.	Sales of goods / Provision of services	347,406,075.86	351,122,428.37
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods / Provision of services	1,283,813.40	713,183.43

Yantai Tayho Engineering Materials Co., Ltd.	Sales of goods	406,104.81	167,682.31
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Sales of goods		5,172.41
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Sales of goods	19,535.10	207,052.83
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Sales of goods	37,922,498.89	6,697,067.81
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Sales of goods	1,397,518.14	
Cabero Heat Exchanger Yantai Co., Ltd.	Sales of goods		64,892.07
Linyi Smart New Energy Technology Co., Ltd.	Sales of goods	864,655.18	211,081.12
Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	Sales of goods	289,372.22	
Japan's Ishikawa Sealing Gasket Co., Ltd.	Sales of goods	1,127,125.14	638,860.17

2) Purchase of goods / receipt of services:

Related party	Types of related party transaction	Amount for the current year	Amount for the prior year
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	receipt of services	211,370,076.21	183,759,810.16
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of materials /Receipt of services	2,189,460.68	2,525,101.38
Yantai Huali Thermoelectricity Supply Co., Ltd.	Purchase of materials /Receipt of services	10,325,551.18	13,384,997.25
Linde Gas (Yantai) Co., Ltd.	Purchase of materials	366,160,716.88	330,821,010.45
Ningbo Xiebei Thermal Power Co., Ltd.	Purchase of materials /Receipt of services	66,222,588.67	66,206,743.56
Yantai Tayho Engineering Materials Co., Ltd.	Purchase of oiling agent	16,082,519.81	7,921,230.50
Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	Receipt of maintenance services	399,642.52	119,688.38
Jinan Shenhua Refrigeration Equipment Co., Ltd.	Purchase of goods		2,046,405.22
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Purchase of goods	3,858,877.36	15,809,632.54

Linyi Smart New Energy Technology Co., Ltd.	Purchase of goods	215,517.25	215,517.25
Yantai Hyundai MOON Heavy Industry Co., Ltd.	Purchase of goods	60,821.48	
Cabero Heat Exchanger Yantai Co., Ltd.	Purchase of goods	35,090,564.94	18,499,222.06
Japan's Ishikawa Sealing Gasket Co., Ltd.	Purchase of goods	1,905,836.20	3,253,730.71
Japan's Ishikawa Sealing Gasket Co., Ltd.	Receipt of services	222,298.74	279,430.88

(2) Leases with related parties:

Operating leases where the Company is the lessor:

Name of lessee	Type of leased assets	Leasing income recognised in the current year	Leasing income recognised in the prior year
Linde Gas (Yantai) Co., Ltd.	Land	1,216,131.00	1,232,629.41
Ningbo Xiebei Thermal Power Co., Ltd.	Buildings, land and pipe rack	876,140.50	1,614,956.03
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Buildings	223,116.80	223,116.80
Yantai Tayho Engineering Materials Co., Ltd.	Buildings	765,938.28	317,957.83
Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	Lease of some office buildings	278,139.14	268,837.28

Operating leases where the Company is the lessee:

Name of lessor	Type of leased assets	Leasing expense recognised in the current year	Leasing expense recognised in the prior year
Yantai Wanhua Chlor-Alkali Co., Ltd.	Warehouse	136,368.28	
Ningbo Xiebei Thermal Power Co., Ltd.	Pipe rack	5,273.10	5,273.10

(3) Guarantees by related parties:

The Company as a guarantor:

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Guarantor	Guaranteed party	Total guaranteed amount	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	25,000,000.00	2,500,000.00	24 April 2014	22 April 2020	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	50,000,000.00	17,500,000.00	8 May 2015	7 May 2020	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	25,000,000.00	21,500,000.00	29 April 2016	28 April 2021	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	225,000,000.00	205,000,000.00	4 April 2018	3 April 2025	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	42,270,000.00	41,520,646.55	30 December 2018	18 December 2026	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	250,000,000.00	250,000,000.00	9 April 2019	8 April 2027	No
Wanhua Chemical	Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	150,000,000.00	132,315,000.00	20 May 2019	19 May 2022	No
Wanhua Thermal Power	Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	165,000,000.00	22,000,000.00	14 October 2014	13 October 2020	No

Yantai Wanhua Synthetic Leather Group Co., Ltd.	Yantai State-owned Assets Operation Co., Ltd. (Note 3)	60,000,000.00	60,000,000.00	24 June 2020	23 June 2022	No
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Note 1: Yantai Harbor Wanhua Industrial Park Port Co., Ltd., all with its assets, provides counter-guarantee for Wanhua Chemical, undertaking joint and several liability. This counter-guarantee equals the total guaranteed amount of Wanhua Chemical.

Note 2: Ningbo Xiebei Thermal Power Co., Ltd., all with its assets, provides counter-guarantee for Wanhua Thermal Power, undertaking joint and several liability. This counter-guarantee equals the total guaranteed amount of Wanhua Thermal Power.

Note 3: Yantai State-owned Assets Operation Co., Ltd. with its six-floor plants (property right certificate No.: Yan Fang Quan Zhi zi No.353310), located at No.28 Xingfu Middle Road, Zhifu District, provides counter-guarantee for Wanhua Synthetic Leather Company.

(4) Borrowings / loans with related parties:

Related Party	Amount of borrowing / loan	Inception date of borrowings	Expiration date	Notes
Lend to				
Yantai Wanhua Micro Fibre Co., Ltd.	20,000,000.00	30 March 2018	19 March 2019	Annual interest rate of 4.6915%; The borrowing was expired but not yet paid due to fund shortage of the related party
Yantai Wanhua Micro Fibre Co., Ltd.	20,000,000.00	25 September 2018	30 September 2018	Annual interest rate of 4.6915%; The borrowing was expired but not yet paid due to fund shortage of the related party
Yantai Wanhua Micro Fibre Co., Ltd.	49,919,467.92	27 April 2018	21 June 2019	Entrusted loan with an annual interest rate of 4.9466%; The borrowing was overdue but not

				yet paid due to fund shortage of the related party
Wanhua Ecoboard Co., Ltd.	301,000,000.00	26 April 2019	21 September 2026	Entrusted loan with an annual interest rate of 4.90%

(5) Assets transfer / debt restructuring with related parties:

Related Party	Contents of related transactions	Amount for the current year	Amount for the prior year
Yantai Wanhua Chlor-Alkali Co., Ltd.	Transfer of fixed assets	7,118,717.37	1,416,251.56

(6) Other related party transactions:

Related Party	Contents of related transactions	Amount for the current year	Amount for the prior year
Wanhua Ecoboard Co., Ltd.	Interest income of entrusted loans	10,071,194.98	
Yantai Wanhua Micro Fibre Co., Ltd.	Interest income from loans and entrusted loans	1,820,234.50	1,613,867.14
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Return of sold goods		5,316,024.82
Yantai Tayho Engineering Materials Co., Ltd.	Comprehensive services provided by the Company	392,721.36	163,633.90

6. Amounts due from / to related parties

(1) Amounts due from related parties:

Item	Related party	Closing book balance	Opening book balance
Accounts receivable	Linde Gas (Yantai) Co., Ltd.		6,754,291.20
Accounts receivable	Yantai Wanhua Chlor-Alkali Co., Ltd.	527,695.50	357,150.00
Accounts receivable	Ningbo Xiebei Thermal Power Co., Ltd.	15,372,310.48	3,568,565.77
Accounts receivable	Yantai Tayho Engineering Materials Co., Ltd.	261,616.40	284,470.92
Accounts receivable	Shandong Huashang Yiyuan Refrigeration and Air Conditioning	11,744,949.27	1,531,236.31

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
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	Engineering Co., Ltd.		
Accounts receivable	Jinan Shenhua Refrigeration Equipment Co., Ltd.	344.00	
Accounts receivable	Linyi Smart New Energy Technology Co., Ltd.	405,100.00	
Accounts receivable	Guangzhou Moon Gaoling Energy Saving Technology Co., Ltd.	31,000.00	
Accounts receivable	Japan's Ishikawa Sealing Gasket Co., Ltd.	426,524.53	90,187.25
Prepayments	Linde Gas (Yantai) Co., Ltd.	791,833.79	
Prepayments	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	5,852,070.00	
Prepayments	Cabero Heat Exchanger Yantai Co., Ltd.		38,980.00
Interest receivable	Yantai Wanhua Micro Fibre Co., Ltd.		1,155,916.47
Interest receivable	Wanhua Ecoboard Co., Ltd.	26,623,629.26	26,281,016.63
Other receivables	Yantai Wanhua Micro Fibre Co., Ltd.	91,691,871.92	55,000,000.00
Other receivables	Wanhua Eco-technology (Yantai) Co., Ltd.		68,755.00
Other receivables	Yantai Huali Thermoelectricity Supply Co., Ltd.		800,000.00
Other current assets	Yantai Wanhua Micro Fibre Co., Ltd.		50,000,000.00
Other current assets	Wanhua Ecoboard Co., Ltd.	301,000,000.00	

(2) Amounts due to related parties:

Item	Related party	Closing book balance	Opening book balance
Accounts payable	Linde Gas (Yantai) Co., Ltd.	7,418,234.53	7,321,812.78
Accounts payable	Yantai Wanhua Chlor-Alkali Co., Ltd.		2,013,249.79
Accounts payable	Yantai Huali Thermoelectricity Supply Co., Ltd.	1,830,530.68	3,158,730.36
Accounts payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	13,563,692.19	11,686,381.60
Accounts payable	Yantai Tayho Engineering Materials Co., Ltd.	4,640,744.65	5,378,258.65
Accounts payable	Yantai Taiguangde Electrical Equipment Installation Co., Ltd.	208,191.89	33,660.00
Accounts payable	Beijing Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.	107,500.00	326,544.50

Accounts payable	Cabero Heat Exchanger Yantai Co., Ltd.	2,816,635.87	
Accounts payable	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.		3,535,132.00
Accounts payable	Jinan Shenhua Refrigeration Equipment Co., Ltd.		249,914.00
Accounts payable	Linyi Smart New Energy Technology Co., Ltd.	300,000.00	250,000.00
Accounts payable	Yantai Hyundai MOON Heavy Industry Co., Ltd.	26,548.67	
Accounts payable	Japan's Ishikawa Sealing Gasket Co., Ltd.	444,678.24	1,104,397.21
Receipts in advance	Shandong Huashang Yiyuan Refrigeration and Air Conditioning Engineering Co., Ltd.		13,760.00
Receipts in advance	Cabero Heat Exchanger Yantai Co., Ltd.	72,115.18	72,115.18
Receipts in advance	Linyi Smart New Energy Technology Co., Ltd.		597,900.00
Receipts in advance	Yantai Hyundai MOON Heavy Industry Co., Ltd.	1,593,391.00	486,336.30
Receipts in advance	Qingdao Daneng Environmental Protection Equipment Co., Ltd.	725,000.00	
Other payables	Linde Gas (Yantai) Co., Ltd.	4,100.00	39,000.00
Other payables	Yantai Wanhua Chlor-Alkali Co., Ltd.		398.34
Other payables	Ningbo Xiebei Thermal Power Co., Ltd.	1,000,000.00	1,000,000.00
Other payables	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.		50.00
Other payables	Yantai Wanhua Micro Fibre Co., Ltd.	2,040.00	185,951.76

IX. COMMITMENTS OR CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB'000		
	Closing balance	Opening balance
Commitment for acquisition and construction of long-term assets	13,829,614	11,624,340
External investment commitment (Note)	7,543	33,200

Total	13,837,157	11,657,540
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Note: As at the balance sheet date, the external investment commitment is based on the capital increase agreement with Linde gas (Yantai) Co., Ltd., the unpaid capital contribution of Wanhua Chemical is RMB 7,543,148.96.

(2) Operating lease commitments

As at the balance sheet date, the Company had the following commitments in respect of non-cancellable operating leases:

Unit: RMB'000		
	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	53,413	49,271
2nd year subsequent to the balance sheet date	41,545	36,735
3rd year subsequent to the balance sheet date	34,840	33,587
4th (or more) year subsequent to the balance sheet date	32,775	35,891
Total	162,573	155,484

(3) Other commitments

As at the balance sheet date, there were no other commitments of the Company that need to be disclosed.

2. Contingencies

(1) Guofeng Company provided guarantee to Yantai International Airport Co., Ltd. and Yantai Chaoshui Airport Construction Engineering Co., Ltd. for the rental cost of RMB 800 million, which is payable to Dao Sheng International Financial Leasing Co., Ltd. (hereinafter referred to as "Dao Sheng International"). The guarantee period is from 6 January 2016 to 6 January 2024. Meanwhile, Guofeng Company provides pledge guarantee for the rental cost of RMB 800 million, and pledge its 6 million shares of

Yantai Changyu Group Co., Ltd. (accounting for 12% of the total shares of Yantai Changyu Group Co., Ltd.) to Dao Sheng International. In March 2016, the assignor Dao Sheng International and the assignee ABC Financial Leasing Co., Ltd. (hereinafter referred to as “ABC Finance”) signed the Assignment Agreement of Leased Assets and Rental Interest Receivable (hereinafter referred to as “Assignment Agreement”) with agreement number of ABC Lease Jin Zhuan Zi No.2016002. According to the Assignment Agreement, Dao Sheng International has transferred the ownership of lease receivables and other related rights, security interests and lease items under the main contract to ABC Finance on 31 March 2016.

(2) Wanhua Chemical provided guarantee to Yantai Harbor Wanhua Industrial Park Port Co., Ltd. for no more than RMB 767.27 million borrowings and bears joint liability for repayment, the maturity date of the borrowing is 8 April 2027. Meanwhile, these guarantees are offered counter guarantee by Yantai Harbor Wanhua Industrial Park Port Co., Ltd.

Wanhua Chemical’s subsidiary, Wanhua Thermal Power, provided guarantee for borrowings and notes payable of RMB 302.5 million of Ningbo Xiebei Thermal Power Co., Ltd. and undertakes joint liability. The maturity date of the related loans is 13 October 2020. At the same time, Ningbo Xiebei Thermal Power Co., Ltd. provided counter-guarantee of the above guarantees for the Wanhua Thermal Power.

(3) On 10 November 2016, Wanhua industry’s subsidiary, Shanxi Zhongqiang Fushan Coal Co., Ltd. (hereinafter referred to as “Fushan Coal”) and the lessor Shanxi Coking Coal Machinery Electric Co., Ltd.(hereinafter referred to as “Shanxi Coking Coal”) signed agreement to lease equipment with the number of “201611ZL58”, which stipulates that Fushan Coal leases the complete set of fully mechanised mining equipment of Shanxi Coking Coal for two years, Shanxi Coking Coal would transport the equipment to the site before 10 January 2017. The starting date of the lease starts within 10 working days after the equipment arrives at the scheduled site. The rent is

RMB 16.5 million in the first year, RMB 13.2 million in the second year, and the deposit is RMB 6 million. The equipment actually arrived at the site in June 2017. As at the audit fieldwork day, Fushan Coal has paid a deposit of RMB 3 million, but has not paid the lease payment. On 9 January 2019, Shanxi Coking Coal filed a lawsuit to order Fushan Coal to pay the payment of equipment lease of RMB 24.2 million from June 2017 to December 2018, the actual rent payable to the effective date of the judgment, the remaining equipment deposit of RMB 3 million, and the overdue fine of RMB 4,653,916.66 for overdue payment of equipment rent (from 10 June 2017, tentatively calculated to 10 December 2018) and to the effective date of the judgment, the actual overdue fine and other relevant litigation costs, preservation costs and other expenses in this case shall be paid. Later, Fushan Coal filed a counterclaim with Linfen intermediate people's court for the reasons of delayed delivery of equipment and non-compliance with the technical agreement and national standards, claiming that Shanxi Coking Coal should return RMB 3 million of deposit and compensate RMB 62.068 million of losses. The first instance of this case has been held and is waiting for the court's judgment. Fushan Coal has accrued RMB 23.5043 million of lease fee.

Wanhua Industry's subsidiary, Shanxi Tianrun Coal Chemical Group Detong Coal Co., Ltd. (hereinafter referred to as "Detong Coal") owes RMB 52 million for the acquisition of Shijiagou Coal Mine. On 11 August 2016, Detong Coal signed an agreement with Gao Shanhu, the former owner of Shijiagou Coal Mine, agreed as follows: Detong Coal would pay the money directly to Gao Shanhu. If the entity stops production for more than 10 days during the repayment period, the later repayment time would be twice as long as the shutdown time. Detong Coal stopped production on 17 August 2017 and resumed production on 20 November 2018. According to the agreement, the repayment time is 18 March 2020. In order to resolve the contradiction between the two sides, Detong Coal promised to repay RMB 1.5 million by the end of August 2019, and to repay RMB 1.5 million by 20 September. It would make normal repayment from the first quarter of 2020. Detong Coal has paid RMB 3 million this year. Later, Gao Shanhu

owes Li Feike RMB 7 million due to the coal mine investment dispute. Li Feike filed a lawsuit to the People's Court of Xiangning County of Shanxi Province on 16 September 2019, asking Detong Coal to pay RMB 7 million and corresponding interest. As at the audit fieldwork day, through the active response of Detong Coal, the People's Court of Xiangning County gave first-instance judgment and rejected Li Feike's claim.

(4) Wanhua Synthetic Leather Company provided guarantee for borrowings of RMB 60 million to Yantai State-owned Assets Operation Co., Ltd. The borrowings are provided by Qishan Branch of Yantai Bank. The maturity date of the borrowing is 23 June 2022. Meanwhile, Yantai State-owned Assets Operation Co., Ltd. provides counter-guarantee for Wanhua Synthetic Leather Company.

X. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant non-adjusting event

There was no significant non-adjusting event after the balance sheet date.

2. Profit appropriation

There was no profit appropriation after the balance sheet date.

3. Sales return

There was no sales return after the balance sheet date.

4. Description of other events after the balance sheet date

There was no description of other events after the balance sheet date.

XI. OTHER SIGNIFICANT EVENT

There was no other significant event during the reporting period.

XII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable	14,040,000.00	7,800,000.00
Other receivables	6,807,908,696.13	3,640,698,912.45
Total	6,821,948,696.13	3,648,498,912.45

(1) Dividends receivable

Item	Closing balance	Opening balance
Yantai Mingxiang Holdings Co., Ltd.	14,040,000.00	
Yantai Moon Group Co., Ltd.		7,800,000.00
Total	14,040,000.00	7,800,000.00

(2) Other receivables

1) Presentation of other receivables by aging

Aging	Closing book balance
Within 1 year	3,286,126,357.20
1 to 2 years	707,098,338.81
2 to 3 years	9,692,482.62
3 to 4 years	79,374,235.00
4 to 5 years	5,368,600.00
Over 5 years	2,720,248,682.50
Total	6,807,908,696.13

2) Disclosure of other receivables by nature

Payment nature	Closing book balance	Opening book balance
Current accounts	6,807,902,696.13	3,640,698,912.45
Petty cash	6,000.00	
Total	6,807,908,696.13	3,640,698,912.45

- 3) There was no provision for bad debt in the period.
- 4) There were no write-off of other receivables in the reporting period.
- 5) Top 5 other receivables in terms of the closing balance collected by debtors

Name of entity	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of provision for bad debts
Company 11	Current accounts	2,700,027,465.00	Over 5 years	39.66	
Company 27	Current accounts	1,500,000,000.00	Within 1 year	22.03	
Company 12	Current accounts	1,500,000,000.00	Within 1 year	22.03	
Company 13	Current accounts	726,873,480.30	Within 1 year 27,066,411.85; 1 to 2 years 699,807,068.45	10.68	
Company 28	Current accounts	200,000,000.00	Within 1 year	2.94	
Total		6,626,900,945.30		97.34	

- 6) There were no other receivables related to government grants.
- 7) There were no other receivables derecognised due to the transfer of financial assets.
- 8) There were no transfer of other receivables and the amount of assets and liabilities arising from continuing involvement.

2. Long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment losses	Book value	Book balance	Provision for impairment losses	Book value

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Investments in subsidiaries	10,463,408,709.50		10,463,408,709.50	9,243,433,176.56		9,243,433,176.56
Investment in associates	209,260,574.14		209,260,574.14	86,166,659.02	85,590,000.00	576,659.02
Total	10,672,669,283.64		10,672,669,283.64	9,329,599,835.58	85,590,000.00	9,244,009,835.58

(1) Investments in subsidiaries:

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment loss	Closing balance for impairment losses
Wanhua Industrial Group Co., Ltd.	1,925,802,652.34			1,925,802,652.34		
Yantai Wanhua Chemical Industry Co., Ltd.	5,759,493,168.96		5,759,493,168.96			
Wanhua Chemical Group Co., Ltd.		5,759,493,168.96		5,759,493,168.96		
Yantai Moon Group Co., Ltd.	533,320,291.18			533,320,291.18		
Yantai Tayho Advanced Materials Group Co., Ltd.	451,634,564.08			451,634,564.08		
Yantai Security Service Co., Ltd.	73,182,500.00		73,182,500.00			
JCC Guoxing (Yantai) Copper Co., Ltd.	500,000,000.00		500,000,000.00			
Yantai Guocheng Yufeng Merchants Service Co., Ltd.		10,000,000.00		10,000,000.00		
Yantai Guotai Chengfeng		30,000,000.00		30,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Asset Management Co., Ltd.						
Yantai Guosheng Investment Holding Co., Ltd.		812,021,373.90		812,021,373.90		
Yantai Wanhua Synthetic Leather Group Co., Ltd.		828,896,917.87		828,896,917.87		
Yantai Mingxiang Holdings Co., Ltd.		112,239,741.17		112,239,741.17		
Total	9,243,433,176.56	7,552,651,201.90	6,332,675,668.96	10,463,408,709.50		

(2) Investment in associates and joint ventures:

Investee	Opening balance	Movement of the current year				
		Increasing investments	Decreasing investments	Profit or loss recognised using equity method	Adjustment on other comprehensive income	Other equity movement
I. Joint Ventures						
Sub-total						
II. Associates						
Yantai Polaris Co., Ltd.	576,659.02			1,566,649.90		19,844.59
JCC Guoxing (Yantai) Copper Co., Ltd.				-976,507.52		
Yantai Penghui Copper Industry Co., Ltd.	85,590,000.00		85,590,000.00			
Yantai Guotai Ruifeng Investment Co., Ltd.		400,000.00		6,453.16		

NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Yantai Guoxin Ruifeng Assets Management Co., Ltd.		34,000,000.00		2,747,705.54		
Sub-total	86,166,659.02	34,400,000.00	85,590,000.00	3,344,301.08		19,844.59
Total	86,166,659.02	34,400,000.00	85,590,000.00	3,344,301.08		19,844.59

(Continued)

Investee	Movement of the current year			Closing balance	Closing balance for impairment losses
	Cash dividends or profits declared	Provision for impairment loss	Others		
I. Joint Ventures					
Sub-total					
II. Associates					
Yantai Polaris Co., Ltd.				2,163,153.51	
JCC Guoxing (Yantai) Copper Co., Ltd.			170,919,769.45	169,943,261.93	
Yantai Penghui Copper Industry Co., Ltd.					
Yantai Guotai Ruifeng Investment Co., Ltd.				406,453.16	
Yantai Guoxin Ruifeng Assets Management Co., Ltd.				36,747,705.54	
Sub-total			170,919,769.45	209,260,574.14	
Total			170,919,769.45	209,260,574.14	

3. Investment income

Item	Amount for the current period	Amount for the prior period
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NOTES TO THE FINANCIAL STATEMENTS OF YANTAI GUOFENG INVESTMENT HOLDINGS GROUP CO., LTD.
For the year ended 31 December 2019

Income from long-term equity investments under cost method	1,421,569,308.00	428,379,023.00
Income from long-term equity investments under equity method	3,344,301.08	-531,724.74
Investment income from available-for-sale financial assets during holding period	30,208,400.00	30,208,400.00
Investment income from financial products	21,377,285.93	4,669,543.17
Investment income from financial assets measured at fair value through current profit or loss during holding period	107,979.05	5,666,129.49
Gains on disposal of long-term equity investments	-500,000.00	
Total	1,476,107,274.06	468,391,370.92

Yantai Guofeng Investment Holdings Group Co., Ltd.



20 May 2020

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