

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring shell company report _____

Commission file number: 0-26046

CHINA NATURAL RESOURCES, INC.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

British Virgin Islands

(Jurisdiction of incorporation or organization)

Room 2205, 22/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Sheung Wan, Hong Kong
(Address of principal executive offices)

Zhu Youyi, Chief Financial Officer
Room 2205, 22/F, West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Sheung Wan, Hong Kong
01185228107205

zhuyouyi@chnr.net

(Name, telephone number, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<i>Title of each class</i>	<i>Trading symbol(s)</i>	<i>Name of each exchange on which registered</i>
<u>Common Shares, without par value</u>	<u>CHNR</u>	<u>NasdaqC apital Market</u>

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 40,948,082 common shares as of December 31, 2021.

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (*232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued
By the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

TABLE OF CONTENTS

PART I

	Page	
ITEM 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS	1
ITEM 2.	OFFER STATISTICS AND EXPECTED TIMETABLE	1
ITEM 3.	KEY INFORMATION	1
ITEM 4.	INFORMATION ON THE COMPANY	26
ITEM 4A.	UNRESOLVED STAFF COMMENTS	41
ITEM 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	41
ITEM 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	51
ITEM 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	60
ITEM 8.	FINANCIAL INFORMATION	63
ITEM 9.	THE OFFER AND LISTING	63
ITEM 10.	ADDITIONAL INFORMATION	64
ITEM 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	71
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	71

PART II

ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	72
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	72
ITEM 15.	CONTROLS AND PROCEDURES	72
ITEM 16.	[Reserved]	73
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT	73
ITEM 16B.	CODE OF ETHICS	73
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	74
ITEM 16D.	EXEMPTION FROM THE LISTING STANDARDS FOR THE AUDIT COMMITTEE	74
ITEM 16E.	PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	74
ITEM 16F.	CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT	74
ITEM 16G.	CORPORATE GOVERNANCE	74

ITEM 16H.	MINE SAFETY DISCLOSURE	74
ITEM 16I.	DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	74
PART III		
ITEM 17.	FINANCIAL STATEMENTS	75
ITEM 18.	FINANCIAL STATEMENTS	75
ITEM 19.	EXHIBITS	75
SIGNATURES		77

CONVENTIONS

Unless otherwise specified, all references in this Annual Report to “U.S. Dollars,” “Dollars,” “US\$,” or “\$” are to United States dollars; all references to “HK\$” are to Hong Kong dollars; and all references to “Renminbi,” “RMB” or “CNY” are to Chinese Yuan, which is the lawful currency of the People’s Republic of China. The accounts of the Company and its subsidiaries are maintained in Hong Kong dollars or Renminbi. The financial statements of the Company and its subsidiaries are prepared in Renminbi. Translations of amounts from Renminbi to U.S. Dollars, and from Hong Kong dollars to U.S. Dollars, are for the convenience of the reader. Unless otherwise indicated, any translations from Renminbi to U.S. Dollars or from U.S. Dollars to Renminbi have been made at the single rate of exchange (the “CNY Exchange Rate”) as quoted by [www.ofox.com](#) on December 31, 2021, which was US\$1.00 = CNY6.3559. Translations from Hong Kong dollars to U.S. Dollars have been made at the official pegged exchange rate of US\$1.00 = HK\$7.80 as of December 31, 2021, and from Hong Kong dollars to Renminbi have been made at the single rate of exchange as quoted by [www.ofox.com](#) on December 31, 2021, which was HK\$1.00 = CNY0.8151. The Renminbi is not freely convertible into foreign currencies and no representation is made that the Renminbi or U.S. Dollar amounts referred to herein could have been or could be converted into U.S. Dollars or Renminbi, as the case may be, at the CNY Exchange Rate or at all.

References to “Bayannaer Mining” are to Bayannaer City Feishang Mining Company Limited, a company organized in the PRC and a wholly owned subsidiary of Yangpu Shuanghu.

References to the “BVI” are to the British Virgin Islands.

References to “China Coal” are to China Coal Mining Investment Limited, a company organized in Hong Kong and a wholly owned subsidiary of CHNR.

References to the “Company,” “CHNR,” “we,” “us,” and “our company” are to China Natural Resources, Inc., a BVI company. Unless the context otherwise requires, references to the Company and/or CHNR include the operations of its subsidiaries.

References to “common shares” are to the common shares, without par value, of CHNR.

References to “Feishang Anthracite” and “FARL” are to Feishang Anthracite Resources Limited (formerly known as Wealthy Year Limited), a company organized in the BVI whose ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on January 22, 2014; and, until January 22, 2014, a wholly owned subsidiary of CHNR.

References to “Feishang Dayun” are to Feishang Dayun Coal Mining Limited, a company organized in Hong Kong and a wholly owned subsidiary of Pineboom.

References to “Feishang Enterprise” are to Feishang Enterprise Group Co., Ltd., a company organized in the PRC that is our affiliate and is controlled by Mr. Li Feilie, the principal beneficial owner of the Company and its former Chairman and CEO.

References to “Feishang Group” are to Feishang Group Limited, CHNR’s principal shareholder and a company organized in the BVI that is ultimately controlled by Mr. Li Feilie.

References to “Feishang Management” are to Shenzhen Feishang Management and Consulting Co., Limited, a company organized in the PRC and a wholly owned subsidiary of Yunnan Mining.

References to “Feishang Mining” are to Feishang Mining Holdings Limited, a company organized in the BVI and, since February 3, 2006, a wholly owned subsidiary of CHNR.

References to “Feishang Yongfu” are to Feishang Yongfu Mining Limited, a company organized in Hong Kong and a wholly owned subsidiary of Newhold.

References to “FMH Services” are to FMH Corporate Services Inc., a company organized in Florida and a wholly owned subsidiary of CHNR. FMH Services is currently inactive.

[Table of Contents](#)

References to the “Group” are to the Company and its direct and indirect subsidiaries.

References to “HK” or “Hong Kong” are to Hong Kong Special Administrative Region.

References to “IFRS” or “IFRSs” are to International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”).

References to “Newhold” are to Newhold Investments Limited, a company organized in the BVI and a wholly owned subsidiary of CHNR.

References to “Pineboom” are to Pineboom Investments Limited, a company organized in the BVI and a wholly owned subsidiary of CHNR.

References to the “PRC” or “China” are to the People’s Republic of China and, solely for the purpose of this Annual Report, excluding Hong Kong, Macao, and Taiwan.

References to “PST Technology” are to Precise Space-Time Technology Limited, a Hong Kong company and a wholly owned subsidiary of CHNR.

References to the “Related-Party Debtholders” are to the companies affiliated with Mr. Li Feilie, CHNR’s principal beneficial owner, including without limitation, Feishang Enterprise and Feishang Group.

References to “Shanghai Onway” are to Shanghai Onway Environmental Development Co., Limited, a company organized in the PRC and a 51%-owned subsidiary of Shenzhen Qianhai.

References to “Shaoguan Angrui” are to Shaoguan Angrui Environmental Technology Development Co., Limited, a company organized in the PRC and a 55%-owned subsidiary of Shanghai Onway.

References to “shareholders” of CHNR are to the members of the Company. “Members” under BVI law are the equivalent of “shareholders” under the laws of the several states of the United States.

References to “Shenzhen New PST” are to Shenzhen New Precise Space-Time Technology Co., Limited, a company organized in the PRC and a wholly owned subsidiary of PST Technology.

References to “Shenzhen Qianhai” are to Shenzhen Qianhai Feishang Environmental Investment Co., Limited, a company organized in the PRC and a wholly owned subsidiary of Shenzhen New PST.

References to “Silver Moon” are to Silver Moon Technologies Limited, a company organized in the BVI and an 80%-owned subsidiary of CHNR. Silver Moon is currently inactive.

References to “Sunwide” are to Sunwide Capital Limited, a company organized in the BVI and a wholly owned subsidiary of CHNR. Sunwide is currently inactive.

References to “Yangpu Shuanghu” are to Yangpu Shuanghu Industrial Development Co., Limited, a company organized in the PRC and a wholly owned subsidiary of Feishang Yongfu.

References to “Yunnan Mining” are to Yunnan Feishang Mining Co., Limited, a company organized in the PRC and a wholly owned subsidiary of Yangpu Shuanghu.

References to “Zhejiang Xinyu” are to Zhejiang Xinyu Environmental Technology Co., Limited, a company organized in the PRC and a wholly owned subsidiary of Shanghai Onway.

Forward-Looking Statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of the U.S. federal securities laws. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as “may,” “will,” “should,” “estimates,” “predicts,” “possible,” “potential,” “continue,” “strategy,” “believes,” “anticipates,” “plans,” “expects,” “intends,” and similar expressions are intended to identify forward-looking statements. These statements appear in a number of places in this Annual Report and include, without limitation, statements regarding the belief and current expectations of the Company, its directors or its officers with respect to the Company’s policies regarding its business development, investments, dispositions, financings, conflicts of interest and other matters, and trends affecting the Company’s financial condition or results of operations. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statement as a result of various factors. Among the risks and uncertainties that could cause our actual results to differ from our forward-looking statements are:

- uncertainties regarding the governmental, economic and political circumstances in the PRC;
- the impact on the Company’s financial position, growth potential and business of an investment in the wastewater treatment sector of the PRC generally and in PST Technology and Shanghai Onway specifically;
- the experience, supply chain and customer relationships and market insights of the PST Technology team, the growth potential of the wastewater treatment and environmental protection industries in the PRC;
- our ability to successfully integrate the operations of PST Technology and realize the expected benefits of its acquisition;
- possible downturns in the PRC wastewater treatment industry or other sectors that the Company may invest in;
- uncertainties related to the Company’s ability to identify potential partners or acquisition targets as it considers strategic alternatives, including in the healthcare and other non-natural resources sectors;
- uncertainties associated with metal price volatility;
- uncertainties concerning the viability of mining and estimates of reserves at the Company’s Wulatehouqi Moruogu Tong Mine (the “Moruogu Tong Mine”) in Inner Mongolia;
- uncertainties regarding our ability to acquire a mining permit and to extract mineral reserves located in the Moruogu Tong Mine in an economically feasible manner;
- uncertainties related to our ability to fund operations and capital expenditures;
- uncertainties related to geopolitical events and conflicts, such as the conflict between Russia and Ukraine;
- uncertainties regarding the impact of the novel coronavirus 2019 (“COVID-19”) pandemic on domestic PRC and global economic conditions, demand for the mineral reserves that we may locate or extract, our workforce, whether due to illness or restrictions on movement, and on the price of our common shares;
- uncertainties regarding our ability to successfully operate and compete within the wastewater treatment industry in the PRC;
- uncertainties related to possible future increases in operating expenses;
- the fluctuations of interest rates and foreign exchange rates;
- the results of the next assessment by the Staff of the Nasdaq Listing Qualifications department of the Company’s compliance with the Nasdaq Listing Rules;
- uncertainties related to the political situation between the PRC and the United States, the implementation by the Securities and Exchange Commission (the “SEC”) of more stringent disclosure and/or other requirements for companies located in the PRC, potential negative impacts on companies with operations in the PRC that are listed on exchanges in the United States, and increasing regulation by PRC government agencies of companies located in the PRC but listed elsewhere; and

- other risks detailed from time to time in the Company's filings with the SEC, including without limitation the information set forth in Item 3.D. of this Annual Report under the heading "Risk Factors."

With respect to forward-looking statements that include a statement of underlying assumptions or bases, the Company cautions that, while it believes such assumptions or bases to be reasonable and has formed them in good faith, assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material depending on the circumstances. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished.

Market and Industry Data

This Annual Report includes market, economic, and industry data as well as certain statistics and information relating to our business, markets, and other industry data, which we obtained or extrapolated from industry publications, generated through internal estimates, our review and analysis of market conditions, surveys, customer feedback, and reports provided by various statistics providers, market research organizations, and others. While we believe that such data is reliable, we have not independently verified such data and cannot guarantee the accuracy or completeness thereof. Additionally, we cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry, and not all of our internal estimates have been verified by any independent sources. Furthermore, we cannot assure you that a third party using different methods to assemble, analyze, or compute market data would obtain the same results.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

We are not a Chinese operating company but a BVI holding company with operations conducted by our subsidiaries established in the PRC and Hong Kong, and which owns equity interests, directly or indirectly, of the operating subsidiaries. See “Item 4.C. INFORMATION ON THE COMPANY – Organizational Structure” for further information regarding our subsidiaries’ names, places of incorporation, and equity ownership. We are subject to legal and operational risks associated with being based in the PRC and Hong Kong and having all of our operations in the PRC, discussed in greater detail below. The Chinese government may intervene or influence the operation of our Hong Kong subsidiaries and PRC subsidiaries and exercise significant oversight and discretion over the conduct of their business and may intervene in or influence their operations at any time or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of our common shares. Further, any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

An investment in our common shares involves a high degree of risk and should be considered speculative. You should carefully consider the following risks set out below and other information before investing in our common shares. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of our common shares could decline and all or part of your investment may be lost.

Risk Factor Summary

Risks Relating to Our Acquisition of PST Technology

- We incurred substantial costs in our recent acquisition of PST Technology, and our future investments and integration costs in connection with the acquisition may prove higher than we anticipate.
- The integration of PST Technology may create strains on our management and operational resources, disrupt our business and adversely affect our operating results.
- Our business will be impacted by risks applicable to PST Technology and Shanghai Onway.

Risks Relating to Our Rural Wastewater Treatment Activities in the PRC

- Risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.
- We could incur significant costs for violations of applicable environmental laws and regulations, and new environmental regulations could result in higher operating costs in the future.
- We are subject to risks associated with operating cost inflation and potential cost overruns.
- Supply chain issues, including shortages of equipment and construction supplies, could increase our costs or cause delays in our ability to complete projects.
- Our results of operations could be adversely affected by labor shortages, turnover and labor cost increases.

- Failure to maintain safe work sites could result in significant losses, which could materially affect our business and reputation.
- The rural wastewater treatment industry is highly dependent upon the policies of the PRC government, and any unforeseen changes in future government policies could adversely affect our operations.
- In the PRC, the environmental protection industry is fragmented and highly competitive, and there is no assurance that we will be able to compete successfully, especially if significant technological breakthroughs occur.
- Tight local government budgets and delayed payments has in the past and may in the future adversely affect our cash flows.

Risks Relating to Our Mine Exploration Activities in Inner Mongolia

- The Moruogu Tong Mine is in the exploration stage.
- The northern part of Moruogu Tong Mine is currently being explored under an agreement that reduces our share in any future profits.
- Any estimates of the reserves contained in the Moruogu Tong Mine may be inaccurate.
- There are no assurances that we can produce minerals on a commercially viable basis.
- Volatility in the market prices of metals may adversely affect the results of our operations.
- We are subject to government regulations in various aspects of our exploration activities and our failure to comply with applicable government regulations could adversely affect us.
- We do not have binding agreements with customers to purchase any future output of metals.

Risks Relating to Additional Acquisitions and Expansion into Other Sectors

- We may acquire other businesses or form joint ventures that could negatively affect our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense.
- Future acquisitions or strategic investments could be difficult to identify and integrate, divert the attention of management, and could disrupt our business, dilute stockholder value and adversely affect our business, results of operations, and financial condition.
- We may become subject to additional extensive and evolving regulatory requirements, noncompliance with which, or changes in which, may materially and adversely affect our business and prospects.

Risks Relating to Our Financial Condition and Business

- We have incurred losses from operations in each of the preceding three fiscal years and there is no assurance that we will generate profits from operations in the future.
- We currently generate revenues from water treatment operations and have ceased our trading of copper ore. We will continue to incur operating expenses in connection with our exploratory activities and wastewater treatment operations.

Risks Relating to Our PRC Operations and Doing Business in the PRC

- Changes in China's economic, political or social conditions or government policies could adversely affect our business and operations, and uncertainties with respect to the PRC legal system could adversely affect us.
- PRC laws and regulations governing our current business operations are sometimes vague and uncertain.
- PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries.
- Inflation in the PRC, or a slowing PRC economy, could negatively affect our profitability and growth.
- Our PRC subsidiaries are subject to restrictions on paying dividends and making other payments to us.
- Governmental control of currency conversion may affect payment of any dividends or foreign currency denominated obligations, and the value of your investment.
- The Public Company Accounting Oversight Board ("PCAOB") is currently unable to inspect our auditor in relation to their audit work; our common shares will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act ("HFCAA") in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or 2023 if proposed changes to the law are enacted.
- It may be difficult for overseas regulators to conduct investigations or collect evidence within China.
- If we fail to protect our intellectual property rights, it could harm our business and competitive position.
- PRC regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.
- The approval of and/or filing with the China Securities Regulatory Commission ("CSRC") or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.
- We may be classified as a "resident enterprise" for PRC enterprise income tax purposes; such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

- Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.
- Failure to make adequate contributions to mandatory social security plans as required by PRC laws may subject us to penalties.
- Enforcement of stricter labor laws and regulations may increase our labor costs.
- If the chops of our PRC subsidiaries are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

Risks Relating to Foreign Private Issuer Status

- Because our assets are located outside of the United States and all of our directors and officers reside outside of the United States, it may be difficult for you to enforce your rights based on the U.S. federal securities laws against us or our officers and directors or to enforce a judgment of a United States court against us or our officers and directors in the PRC.
- Our status as a “foreign private issuer” results in less information being available about us.
- Due to our status as a “foreign private issuer,” we have adopted IFRS accounting principles, which are different from accounting principles under U.S. generally accepted accounting principles (“U.S. GAAP”).
- As a “foreign private issuer” we are not subject to certain requirements that other Nasdaq-listed issuers are required to comply with, some of which are designed to provide information to and protect investors.

Risks Relating to Our Common Shares

- You may experience dilution to the extent that our common shares are issued upon the exercise of outstanding warrants or other securities that we may issue in the future.
- Our principal beneficial owner and his affiliates control us through their stock ownership; and their interests may differ from those of other shareholders.
- The rights of our shareholders are governed by BVI law, which may not be as favorable to shareholders as U.S. law, and our directors may take actions with which you disagree without first receiving shareholder approval.
- We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. shareholders.

Risks Relating to the Ongoing COVID-19 Pandemic

- COVID-19 has disrupted our operations, may further disrupt our operations or adversely affect our operations and financial position in the future, and may exacerbate the various other Risk Factors that we face.

Risks Relating to Our Acquisition of PST Technology

We incurred substantial costs in our recent acquisition of PST Technology, and our future investments and integration costs in connection with the acquisition may prove higher than we anticipate. As a result, we may not realize the expected benefits as and when anticipated or at all.

In July 2021, we acquired PST Technology for consideration of three million of the Company’s newly issued restricted common shares, 120 million shares of FARL, and approximately CNY10.3 million (US\$1.6 million). Through our acquisition of PST Technology, we obtained a 51% equity interest in Shanghai Onway, a company principally engaged in services related to rural wastewater treatment. In addition to the purchase price, we incurred significant non-recurring expenses in connection with the acquisition, including legal, accounting, financial advisory, integration planning and other expenses, and have incurred and expect to continue to incur integration costs arising out of this transaction.

The synergies expected to arise from the acquisition across a number of areas, including operations and realizing efficiencies in the supply chain, customer relationships and community relationships, may not be achieved in the near term or at all, and if achieved, may not be sufficient to offset the costs associated with the acquisition. The acquisition and integration of PST Technology may also result in material unanticipated expenses and liabilities, and we may record impairment charges in connection therewith if the anticipated benefits of the acquisition fail to realize. If we fail to realize the expected benefits of the acquisition or incur additional unanticipated costs, our business, results of operations and financial condition could be adversely affected.

The integration of PST Technology may create strains on our management and operational resources, disrupt our business and adversely affect our operating results.

Challenges associated with the integration of PST Technology include the following:

- assimilating accounting, management, information, human resource and other administrative systems;
- integrating and retaining key employees; and
- maintaining internal controls, procedures and policies at standards appropriate for a public company.

We expect that our acquisition of PST Technology will continue to require significant attention and resources from our management team and workforce, including our operations, accounting, and human resource units. Devoting management's resources to the integration of PST Technology means that these resources will be redeployed to varying degrees from other activities, which may have an adverse impact on our financial condition or results of operations. For example, to the extent our management is involved in integrating PST Technology, they may be unable to devote sufficient time to developing and scaling Shanghai Onway's operations, overseeing future mine exploration activities or seeking opportunities to enter the healthcare or other sectors in the PRC. Further, any difficulties that management faces in assimilating or integrating the internal controls, technologies, accounting systems, personnel or operations of PST Technology could adversely affect our operating results.

Our business will be impacted by risks applicable to PST Technology and its majority-owned subsidiary, Shanghai Onway.

The results of PST Technology are consolidated with ours, on a pooling of interest accounting basis, our results are subject to risks and uncertainties affecting its business and that of Shanghai Onway, as outlined elsewhere in these Risk Factors. In our review of PST Technology in connection with the acquisition, we may have failed to identify or fully prepare for all of the problems, liabilities or other shortcomings or challenges facing its business, including issues related to compliance with environmental regulations, information security practices and employment practices. To the extent unexpected liabilities arise, our recourse will be limited and our remedies may not be adequate to offset such liabilities. As a result, any such liabilities could have a material adverse effect on us.

Risks Relating to Our Rural Wastewater Treatment Activities in the PRC

Risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of Shanghai Onway's subsidiary, Shaoguan Angrui, involve various unique risks. If collection or treatment systems fail, overflow, or do not operate properly, untreated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are common causes of sewer overflow and system failure. Our wastewater systems may also be vulnerable to disability or failure as a result of physical or cyber-attacks, acts of war or terrorism, vandalism or other causes. Liabilities resulting from such damages, injuries or system failures could materially and adversely affect our results of operations and financial condition.

We could incur significant costs for violations of applicable environmental laws and regulations, and new environmental regulations could result in higher operating costs in the future.

Our wastewater treatment services are governed by various national and local environmental protection, health and safety laws and regulations concerning, among other things, discharge standards, the design, manufacturing and installation of small-scale domestic wastewater treatment equipment and the operation and maintenance of collection systems and treatment facilities. If we violate any applicable environmental laws and regulations, we could be subject to substantial fines or otherwise sanctioned, and we may be required to incur significant expenses to remediate any such violation. Additionally, environmental health and safety laws are complex and change frequently, and the introduction of any new or stricter standards could increase our operating costs or materially adversely impact our ability to continue operations.

We are subject to risks associated with inflation and potential cost overruns. If we are unable to accurately estimate our project costs, our profitability could suffer.

The engineering, procurement and construction (“EPC”) activities of Shanghai Onway subject us to risks associated with cost overruns. Our EPC projects related to rural wastewater treatment are largely carried out on a fixed-price basis according to a predetermined timetable. Under such fixed-price contracts, we retain all cost savings on completed contracts but are also liable for the full amount of all cost overruns. The pricing of fixed-price contracts is crucial to our profitability, as is our ability to quantify risks to be borne by us and to provide for contingencies in the contract accordingly. If our estimates prove inaccurate or if circumstances change due to, among other things, unanticipated conditions or technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, inclement or hazardous weather conditions, changes in cost of equipment or materials or our suppliers’ or subcontractors’ inability to perform, then cost overruns and delays in performance are likely to occur. We may not be able to obtain compensation for additional work performed or expenses incurred or may be delayed in receiving necessary approvals or payments. If we were to significantly underestimate the costs on one or more significant contracts, the resulting losses could have a material adverse effect on our business, operating results, cash flows or financial condition.

Supply chain issues, including shortages of equipment and construction supplies, could increase our costs or cause delays in our ability to complete our EPC projects, which could have an adverse impact on our business and our relationships with customers.

We rely on our supply chain for equipment and construction supplies in order to complete our EPC projects. A reduction or interruption in supply, including disruptions due to the COVID-19 pandemic, a significant natural disaster, shortages in global freight capacity, significant increases in the price of critical components and raw materials, a failure to appropriately forecast or adjust our requirements based on our business needs, or volatility in demand for our services could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. In the event of supply disruptions from suppliers or subcontractors, we may not be able to diversify our resources for such materials or services in a timely manner or may experience quality issues with alternate sources. Our growth and ability to meet demand depend in large part on our ability to obtain timely deliveries of raw materials, plant components and equipment from our suppliers, and significant disruptions in their supply could materially adversely affect our business, operating results, and financial condition and could damage customer relationships.

Our results of operations could be adversely affected by labor shortages, turnover and labor cost increases.

Labor is crucial to the EPC component of our rural wastewater treatment business. A number of factors may adversely affect the labor force available or increase labor costs from time to time, including high employment levels and government regulations. A sustained labor shortage or increased turnover rates within our employee base, whether caused by COVID-19 or general macroeconomic factors, could lead to increased costs, such as increased wage rates to attract and retain employees, and could negatively affect our ability to complete our EPC projects according to the required schedule or otherwise efficiently operate our business. If we are unable to hire and retain employees capable of performing at a high level, our business could be adversely affected. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation could have a material adverse impact on our operations, results of operations, liquidity or cash flows.

Failure to maintain safe work sites could result in significant losses, which could materially affect our business and reputation.

Because our employees are often in close proximity with mechanized equipment, moving vehicles and dangerous manufacturing processes, our EPC work sites are potentially dangerous workplaces. Therefore, safety is critical to our performance. We are often responsible for safety on the project sites where we work. Unsafe work conditions also can increase employee turnover, which increases project costs and our overall operating costs. If we fail to implement effective safety procedures, our employees could be injured, the completion of a project could be delayed or we could be exposed to investigations and possible litigation. Our failure to maintain adequate safety standards through our safety programs could also result in reduced profitability or the loss of EPC projects or customers.

The rural wastewater treatment industry is highly dependent upon the policies of the PRC government, and any unforeseen changes in future government policies could adversely affect our operations.

The rural wastewater treatment industry, and the environmental protection industry in general, are highly dependent upon the national policies of the PRC. The PRC government encourages the development of the environmental protection industry in three main ways: (i) subsidies; (ii) direct participation in environmental protection investment and operations; and (iii) forcing enterprises to increase investment in environmental pollution prevention and controls through legislation and law enforcement. Therefore, demand in the environmental protection industry is largely driven by government policies, and any unforeseen changes in future government policies could considerably alter the market dynamics of the industry and adversely affect our operations.

In the PRC, the environmental protection industry is fragmented and highly competitive, and there is no assurance that we will be able to compete successfully, especially if significant technological breakthroughs occur.

In recent years, the PRC environmental protection industry has grown quickly. The larger market has also attracted a large number of new participants, which has resulted in increasingly intense market competition. Our competitors in the rural wastewater treatment sector include both large environmental protection groups and regional small and medium-sized private enterprises. New technologies may be developed by these competitors or others at any time. In addition, environmental protection engineering and operation projects have certain regional entry barriers, as the natural conditions, composition of wastewater and discharge standards in each region are usually different. When certain regions already have established wastewater treatment systems built by existing service providers, there will be little space for new competitors to enter. This means there are considerable barriers to securing orders across regions if and when Shanghai Onway expands beyond its current operations in Zhejiang province, Jiangsu province, Shanghai and Guangdong province. There is no assurance that we will be able to compete successfully, which may adversely affect our results of operations.

Tight local government budgets and delayed payments have in the past and may in the future adversely affect our cash flows.

The PRC government has recently attached great importance to environmental protection, which has led to an increasing number of environmental protection projects funded by local governments. The rapid growth of the number of projects funded by local governments could financially pressure local governments, and impact their ability or inclination to pay for environmental protection projects in a timely manner, or at all. We have in the past and may in the future had delays in payments from our clients and had to write off receivables, which has and may adversely affect our cash flows.

Risks Relating to Our Mine Exploration Activities in Inner Mongolia

The Moruogu Tong Mine is in the exploration stage and we may not generate revenues from our mining-related activities for the foreseeable future.

One of our operating subsidiaries, Bayannaer Mining, is in the exploration stage at the Moruogu Tong Mine located in the Inner Mongolia Autonomous Region of the PRC, and, at this stage, we cannot predict whether ore can be mined on a profitable basis. During the exploration stage, a mine incurs operating expenses but does not generate revenues. We intend to fund mine exploration on the southern part of Moruogu Tong Mine through borrowings from related parties or cash on hand. Pursuant to Bayannaer Mining's mutual cooperation agreement (the "Cooperation Agreement") with Bayannaer Jijincheng Mining Co., Ltd. ("Jijincheng Mining"), Jijincheng Mining is currently running the exploration program for the northern part of Moruogu Tong Mine. To date, the exploration program of the northern part has indicated the presence of lead and silver, with the prospect that further surveying and exploration may indicate the presence of other ores such as copper. However, Jijincheng Mining may terminate the Cooperation Agreement if no resources are discovered in three consecutive drilling holes or in 50% of the drilling holes, in which case we may be unable to find a suitable replacement partner or source of funds. Accordingly, as of the date of this Annual Report, Jijincheng Mining may terminate the Cooperation Agreement. At this stage of exploratory activities, we cannot predict whether sufficient ore of acceptable quality will be found at the Moruogu Tong Mine to warrant further exploration and/or extraction.

The Moruogu Tong Mine is currently being explored under an agreement that effectively reduces our share in any future profits from mineral extraction at the mine.

On August 20, 2017, Bayannaer Mining entered into the Cooperation Agreement with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support for the operating expenses of the northern part of Moruogu Tong Mine during the exploration stage, and the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. According to the Cooperation Agreement, Jijincheng Mining is responsible for engaging the exploration team and providing the required funding. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for the northern part of Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration work conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling work beyond the first 10 drilling holes in the cooperative exploration project. As of the date of this Annual Report, 21 holes have been drilled using funding provided by Jijincheng Mining pursuant to the Cooperation Agreement. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration work, remain to be negotiated between the parties. There is no assurance that the details of the arrangement that remain to be negotiated will be resolved in a manner satisfactory to the Company. Moreover, because the Cooperation Agreement provides us with a minority interest in the resources discovered as part of the cooperative exploration project, we will not be able to enjoy the full economic benefits of the resources we discover in the northern part of Moruogu Tong Mine for the duration of the Cooperation Agreement.

Any estimates of the reserves contained in the Moruogu Tong Mine may be based upon protocols not generally recognized in the United States and the various assumptions underlying our estimates may be inaccurate.

The Moruogu Tong Mine is the subject of a geological survey prepared in conformity with procedures and protocols recognized in the PRC. These procedures and protocols are different from those generally recognized in the United States. In addition, reserve estimation is an interpretive process based upon available data and various assumptions that are believed to be reasonable, and the economic value of ore reserves may be adversely affected by price fluctuations in the metals markets, reduced recovery rates or a rise in production costs as a result of inflation or other technical problems arising in the course of extraction. If the assumptions upon which we conduct the reserve study prove to be inaccurate, we may reach incorrect conclusions as to the nature and extent of resources present at the Moruogu Tong Mine, and we may not be able to generate revenues from the Moruogu Tong Mine in an amount that would lead to such activities being profitable or at all.

There are no assurances that we can produce minerals on a commercially viable basis.

The Company's ability to generate revenue and profit from the Moruogu Tong Mine is expected to occur, if at all, through the exploration, evaluation, development and operation of that property. The economic feasibility of a project depends on numerous factors, including the cost of mining and production facilities required to extract the desired minerals, the total mineral deposits that can be mined at a given facility, the proximity of the mineral deposits to refining facilities, and the market price of the minerals at the time of sale. There is no assurance that our current or future exploration programs or any acquisitions will result in the identification of deposits that can be mined profitably.

Volatility in the market prices of metals may adversely affect the results of our operations.

The market prices of lead, silver and other metals have experienced significant volatility in recent years. Market prices depend upon many factors beyond our control, which include industry specific factors such as supply and demand and the level of customer inventories, as well as factors such as local and world-wide general economic conditions and disruptions caused by unforeseen domestic or international crises such as the global outbreak of COVID-19, or geopolitical tensions, including the ongoing military conflict between Russia and Ukraine. The uncertainties surrounding the market prices of metals and the costs of extraction may adversely affect our ability to operate on a profitable basis if our mining exploration proves fruitful.

In 2020, metal prices were hit hard by the outbreak of the COVID-19 pandemic. During 2021, major economies were all on track for recovery and achieved different levels of economic growth. This, combined with massive quantitative easing, led to a strong and even overheated commodity market worldwide. The above resulted in high volatility in the market prices of lead, silver and copper. See “Item 4.B. INFORMATION ON THE COMPANY – Business Overview – Lead, Silver and Copper Industry and Market” for information on the historical prices in 2021 and prior years. In 2021, the Shanghai Futures Exchange (“SHFE”) lead price hit a low of CNY14,055 (US\$2,211) per ton and a high of CNY16,420 (US\$2,583) per ton, the SHFE silver price reached a low of CNY4,588 (US\$ 722) per kilogram (“kg”) and a high of CNY6,085 (US\$957) per kg, and the SHFE copper price hit a low of CNY56,860 (US\$8,944) per ton and a high of CNY78,270 (US\$12,312) per ton, each reflecting high volatility. The extent to which demand and prices will be supported in the future is highly uncertain, as the impact of the ongoing COVID-19 pandemic continues to cause disruptions to the global economy and to business activities at all levels, and there remains uncertainty on how soon the COVID-19 pandemic will be controlled globally and global economic activities rebound to pre-COVID-19 pandemic levels, if ever. Any widespread resurgence of COVID-19 or other pandemics, or further geopolitical tensions, could significantly and adversely impact market sentiment and the broader economy. Monetary policies of major economies will also have significant impacts on the commodity markets. Therefore, demand and price volatility in the commodity markets may continue for a prolonged period or further deteriorate, which may adversely affect our ability to sell minerals from the Moruogu Tong Mine on a profitable basis.

We are subject to government regulations in various aspects of our exploration activities and our failure to comply with applicable government regulations could adversely affect us.

Bayannaer Mining, our subsidiary that acquired exploration rights to the Moruogu Tong Mine, is and will continue to be subject to the regulations of various aspects of its operations by a variety of laws, rules and regulations administered by the national and local Chinese government, including laws, rules and regulations relating to: exploration activities; environmental protection; the use and preservation of dangerous substances; employment practices; as well as land use laws and a variety of local business laws and rules. Our failure to comply with applicable laws, rules, and regulations could adversely affect our operations and subject us to fines and other penalties including suspension or termination of our business permits.

We do not have binding agreements with customers to purchase any future output of metals.

While we believe there is a robust market for lead, silver and other metals not only in China but also in other countries (although our operations are currently limited to the PRC and we are not currently producing any metals), we do not currently have any commitments from any customers to purchase any future output of metals. As a result, we may not be able to sell any metals that we are able to successfully extract at prices that are acceptable to us or at all.

Risks Relating to Additional Acquisitions and Expansion into Other Sectors

We may acquire other businesses or form joint ventures that could negatively affect our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense.

We are actively seeking opportunities to enter the healthcare industry in the PRC, as well as other potentially attractive opportunities; however, we cannot offer any assurance that acquisitions of businesses, assets and/or entering into strategic alliances or joint ventures will be successful. We may not be able to find suitable partners or acquisition candidates and may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing infrastructure. In addition, in the event we acquire any existing businesses we could assume unknown or contingent liabilities.

Any future acquisitions could result in incurrence of debt, contingent liabilities or future write-offs of intangible assets or goodwill, any of which could have a negative impact on our cash flows, financial condition and results of operations. Integration of an acquired company may also disrupt ongoing operations and require management resources that otherwise would be focused on developing and expanding the acquired business. We may experience losses related to potential investments in other companies, which could harm our financial condition and results of operations. Further, we may not realize the anticipated benefits of any acquisition, strategic alliance or joint venture if such investments do not materialize.

To finance any acquisitions or joint ventures, we may choose to issue common shares, or a combination of debt and equity as consideration, which could significantly dilute the ownership of our existing shareholders or provide rights to such target shareholders in priority over our common shareholders. Additional funds may not be available on terms that are favorable to us, or at all. If the price of our common shares is low or volatile, we may not be able to acquire other companies or fund a joint venture project using stock as consideration.

Future acquisitions or strategic investments could be difficult to identify and integrate, divert the attention of management, and could disrupt our business, dilute stockholder value and adversely affect our business, results of operations, and financial condition.

As part of our growth strategy, we may acquire or invest in other businesses, assets or technologies that are outside of the sectors we have historically operated in but fit within our strategic goals. Any acquisition or investment may divert the attention of management and require us to use significant amounts of cash, issue dilutive equity securities or incur debt. We have limited experience in acquiring other businesses. In addition, we may be exposed to unknown risks, any of which could adversely affect our business, results of operations, and financial condition, including risks arising from:

- difficulties in integrating the operations, technologies, product or service offerings, administrative systems, and personnel of acquired businesses, especially if those businesses operate outside of our core competency or geographies in which we currently operate;
- potential loss of key employees of the acquired business;
- inability to maintain key business relationships and reputation of the acquired business;
- litigation arising from the acquisition or the activities of the acquired business, including claims from terminated employees, customers, former stockholders or other third parties;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license, or increase our risk of liability;
- complications in the integration of acquired businesses or diminished prospects, including as a result of the impacts of the COVID-19 pandemic and its global economic effects;
- failure to generate the expected financial results related to an acquisition in a timely manner or at all;
- failure to accurately forecast the impact of an acquisition transaction; and
- implementation or remediation of effective controls, procedures, and policies for acquired businesses.

These risks may also arise in connection with our recently acquired subsidiary, PST Technology, and its subsidiaries.

Because a majority of our management's prior business experience has been limited to industries outside of the healthcare space, they may lack the necessary experience to assess a business combination with a target business in that industry.

A significant portion of our management's prior business experience has been limited to industries outside the healthcare space. As we explore opportunities in new industries, we have been considering opportunities in the healthcare sector. Mr. Zou Yu and Dr. Peng Wenlie are the only members of our management who have experience in the healthcare sector, and we are reliant on their expertise for finding an attractive business combination or joint venture. If we locate an attractive business combination that is unrelated to the industries our management has worked with, our management may not have the necessary experience to adequately assess the merits or risks of the industries or segments in which the business operates. In addition, our management may not have the necessary experience to operate such acquired business successfully.

We may become subject to additional extensive and evolving regulatory requirements, noncompliance with which, or changes in which, may materially and adversely affect our business and prospects.

Due to the complex nature of the healthcare business, we may become subject to the legal and regulatory requirements of multiple industries in the PRC if we combine with or acquire a company, acquire assets and/or enter into strategic alliances or joint ventures in the PRC in such industries. These industries primarily include the pharmacy, healthcare, and pharmaceutical and healthcare retail products industries. Various regulatory authorities in the PRC are empowered to promulgate and implement regulations governing broad aspects of these industries. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

The regulations relating to healthcare sector in the PRC are evolving, and their interpretation and potential enforcement present significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed to be in violation of the applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that future laws and regulations would not render any operations that we engage in noncompliant or that we will always be in full compliance with applicable laws and regulations. Compliance with future laws and regulations may require us to change our business model and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

The manufacturing and sale of pharmaceutical and healthcare products in China are each subject to extensive and evolving government regulations and supervision. If we enter these industries, any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects. Certain other laws, rules and regulations may affect the pricing of, demand for and sales of pharmaceutical and healthcare products (such as those laws relating to the procurement, prescription and dispensing of drugs by hospitals, other medical institutions and retail pharmacies), government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job injury insurance and maternity insurance jointly promulgated by the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC.

Furthermore, the introduction of new services and products, or the entry into other sectors, may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. Failure to adequately comply with these additional laws and regulations may delay, or possibly prevent, some of our products or services from being offered, which may have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Financial Condition and Business

We have incurred losses from operations in each of the preceding three fiscal years of 2019, 2020 and 2021 and there is no assurance that we will generate profits from operations in the future.

For the three years ended December 31, 2019, 2020 and 2021, we incurred operating losses of CNY4.26 million, CNY14.71 million, and CNY 23.73 million (US\$3.73 million), respectively. Our operating losses mainly represent administrative expenses such as legal and professional fees, as well as our cost of sales and estimated uncollectible receivables. Any future profitability will be dependent upon many factors, including our successful integration and profitable operations of the newly acquired rural wastewater treatment business; our ability to fund our exploration and operating expenses, successfully produce metal outputs, and sell our production output to third parties; and the successful execution of our plans to pivot to another industry such as healthcare. Other factors, such as uncertainty over the demand and market price for lead, silver and other metals, or the availability of attractive acquisition targets in other industries, are outside of our control. There is no assurance that we will be successful in our efforts to achieve profitability, and we expect to incur significant losses for the foreseeable future. We can provide no assurance to investors that we will achieve profitable operations in the future.

We will have to fund operating expenses from other sources until we are able to generate sufficient revenue to pay them.

We have ceased our trading of copper ore, which was our sole revenue generating activity prior to the acquisition of PST Technology, which generated losses from operations over each of the past three fiscal years, and we have generated revenues from our current operations in recent periods. We will continue to incur operating expenses in connection with our exploratory activities and wastewater treatment operations, and we intend to fund those expenses with the proceeds of loans from our Related-Party Debtholders, if available, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary and available, further bank borrowings. We may incur substantial expenses in connection with developing our current operations or identifying an additional focus for our business. There is no assurance that we will be able to secure amounts sufficient to fund our operating expenses until such time as we are able to generate revenues sufficient to pay those expenses.

The loss of key personnel could affect our business and prospects.

We believe that our future success depends in part upon our ability to attract, retain and motivate qualified personnel necessary for the development of our business. If one or more members of our management team or other key technical personnel become unable or unwilling to continue in their present positions, and if additional key personnel cannot be hired and retained as needed, our business and prospects for growth could be adversely affected. Additionally, the impact of our acquisition of PST Technology depends heavily upon the continued service of the key personnel of Shanghai Onway, particularly as our management has limited experience in the wastewater treatment and environmental protection industries. We compete for qualified personnel with other wastewater treatment companies, and we face competition in attracting skilled personnel and retaining the members of our senior management team. These personnel possess technical and business capabilities, including expertise relevant to the wastewater treatment market, which are difficult to replace. There is intense competition for experienced senior management with technical and industry expertise in the wastewater treatment industry, and we may not be able to retain our key personnel. Intense competition for these personnel could cause our compensation costs to increase, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

Any failure to maintain effective internal controls could have an adverse effect on our business, results of operations and the market price of our shares.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act (“SOX”), adopted rules requiring most public companies to include a management report on such company’s internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of the company’s internal control over financial reporting. In addition, if we become an accelerated or large accelerated filer, as defined in the SEC’s rules, we will be required to provide an annual attestation from an independent registered public accounting firm on management’s assessment of the effectiveness of the Company’s internal control over financial reporting.

Our management has concluded that our internal control over financial reporting as of December 31, 2021, was effective. However, we cannot assure you that our management will not identify material weaknesses in the future, or our independent public registered accounting firm will not identify material weaknesses if it assesses our internal control over financial reporting in the future. In addition, because of the inherent limitations of any internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. As a result, if we fail to maintain effective internal control over financial reporting or should we be unable to prevent or detect material misstatements due to error or fraud on a timely basis, investors could lose confidence in the reliability of our financial statements, which in turn could harm our business and results of operations, negatively impact the market price of our shares, and harm our reputation. Furthermore, we have incurred and expect to continue to incur considerable costs and to use significant management time and other resources in an effort to comply with Section 404 of and other requirements of SOX.

Risks Relating to Our PRC Operations and Doing Business in the PRC

Changes in China’s economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

All of our business operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects are affected by economic, political and social conditions in China generally and by continued economic growth in China as a whole.

China’s economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. In recent decades, the Chinese government has implemented a series of reform measures, including among others, emphasizing the utilization of market forces for economic reform and the establishment of improved corporate governance in business enterprises. However, a considerable portion of productive assets in China is still owned by the government. In addition, the Chinese government also plays a significant role in regulating industry development and has extensive influence over China’s economic growth through allocating resources, foreign exchange control, and setting monetary and fiscal policy.

The growth of China's economy has been uneven, both geographically and among various sectors of the economy, and the growth of the Chinese economy has slowed down in recent years for various reasons, including due to the impacts of the COVID-19 pandemic. Some of the government measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. Any stimulus measures designed to boost the Chinese economy may contribute to higher inflation, which could adversely affect our results of operations and financial condition. For example, certain operating costs and expenses, such as employee compensation and office operating expenses, may increase as a result of higher inflation.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China over the past several decades. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties.

Furthermore, 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. As a result, we may not be aware of our potential violation of these policies and rules. In addition, any administrative and court proceedings in China may be protracted and result in substantial costs and diversion of resources and management attention.

The PRC government has significant oversight over the conduct of our business and it has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

PRC laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such laws and regulations may have a material and adverse effect on our business.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and criminal proceedings. We and any future subsidiaries are or will be considered foreign persons or foreign-invested enterprises under PRC laws, and as a result, we are and will be required to comply with PRC laws and regulations applicable to foreign persons or foreign-invested enterprises. These laws and regulations are sometimes vague and may be subject to future changes, and their official interpretation and enforcement may involve substantial uncertainty. Exploration and mining operations and wastewater treatment operations in the PRC are subject to environmental laws and regulations, and the imposition of more stringent environmental regulations may affect our ability to comply with, or our costs to comply with, such regulations. Such changes, if implemented, may adversely affect our business operations and may reduce our profitability. The effectiveness of newly enacted laws, regulations or amendments may be delayed, resulting in detrimental reliance by foreign investors. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China. We may make loans to our PRC subsidiaries, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China. Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registration requirements. In addition, a foreign-invested PRC enterprise has limitations upon its uses of capital, including restrictions on such capital being: (i) directly or indirectly used for payments beyond the business scope of the enterprise or payments prohibited by relevant laws and regulations; (ii) used for the granting of loans to non-affiliated enterprises, except where expressly permitted in the foreign-invested PRC enterprise's business license; and (iii) used for paying expenses related to the purchase of real estate that is not for self-use (except for foreign-invested real estate enterprises). We may also decide to finance our PRC subsidiaries by means of capital contributions, in which case the PRC subsidiary is required to register the details of the capital contribution with the local branch of the State Administration for Market Regulation and submit a report on the capital contribution via the online enterprise registration system to the Ministry of Commerce.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals or filings on a timely basis, if at all, with respect to future loans by us to our current PRC operating subsidiaries or with respect to future capital contributions by us to our current PRC operating subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Inflation in the PRC, or a slowing PRC economy, could negatively affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in the costs of supplies and services, it may have an adverse effect on our profitability. In order to control inflation in the past, the PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on bank lending. Such an austere policy can lead to a slowing of economic growth, and recent statistics have, indeed, suggested that China's high annual economic growth has slowed down. In addition, the global outbreak of COVID-19 and the efforts to contain it have negatively impacted economic development in the PRC, and around the world. Despite targeted fiscal and monetary stabilizing policies implemented by the PRC government, the PRC economy has experienced a significant slowdown since the outbreak of COVID-19. For further discussion of the impact of the COVID-19 pandemic, please refer to “– Risks Relating to Our Mine Exploration Activities in Inner Mongolia – Volatility in the market prices of metals may adversely affect the results of our operations” and “– Risks Relating to the Ongoing COVID-19 Pandemic.” As a result, domestic and global economic conditions may improve, and the markets we intend to serve may grow, at a lower-than-expected rate or even experience a downturn, adversely affecting our future profitability and growth.

Our PRC subsidiaries are subject to restrictions on paying dividends and making other payments to us.

We are a holding company incorporated in the BVI. Under BVI law, we may only pay dividends from surplus (the excess, if any, at the time of the determination of the total assets of our company over the sum of our liabilities, as shown in our books of account, plus our capital), and we must be solvent before and after the dividend payment in the sense that we will be able to satisfy our liabilities as they become due in the ordinary course of business; and the realizable value of assets of our company will not be less than the sum of our total liabilities, other than deferred taxes as shown on our books of account, and our capital. As a result of our holding company structure, dividends and other distributions to our shareholders, if any, will depend primarily upon dividend payments from our subsidiaries. However, PRC regulations currently permit the payment of dividends only out of accumulated profits, as determined in accordance with PRC accounting standards and regulations. Our subsidiaries in China are also required to set aside a portion of their after-tax profits as certain reserve funds according to PRC accounting standards and regulations. The PRC government also imposes controls on the conversion of Renminbi into foreign currencies and the remittance of currencies out of China. We may experience difficulties in completing the administrative procedures necessary to obtain and remit foreign currency. Furthermore, if our subsidiaries in China incur further debt in the future, debt covenants may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive dividends from our operating companies, Bayannaer Mining and Shanghai Onway, due to contractual or other limitations on the payment of dividends, we may be unable to pay dividends or make other distributions on our common shares.

Governmental control of currency conversion may affect payment of any dividends or foreign currency denominated obligations, and the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations. Under existing PRC foreign exchange regulations, the Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without prior approval from the PRC State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies.

The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

See “Item 10.D. ADDITIONAL INFORMATION – Exchange Controls” for further details of exchange controls in the PRC.

The fluctuation of the Renminbi may materially and adversely affect your investment.

The exchange rate of the Renminbi against the U.S. Dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC’s political and economic conditions. As most of our operating expenses are denominated in Renminbi, any significant revaluation of the Renminbi may materially and adversely affect our cash flows and financial condition. Additionally, if we convert our Renminbi into U.S. Dollars, should we determine to pay dividends on our common shares or for other business purposes, depreciation of the Renminbi against the U.S. Dollar would negatively affect the amount of U.S. Dollars we convert our Renminbi into. Conversely, to the extent that we need to convert U.S. Dollars we receive from an offering of our securities or otherwise into Renminbi for our operations, the appreciation of the Renminbi against the U.S. Dollar could have an adverse effect on our financial condition and result in a charge to our income statement and a reduction in the value of these U.S. Dollar denominated assets.

In 2021, the U.S. Dollar depreciated against the Renminbi by 2.55% over the course of the year. Since the beginning of 2022 to March 31, 2022, the U.S. Dollar depreciated against the Renminbi by 0.47%.

PRC SAFE regulations regarding offshore financing activities by PRC residents have undergone changes which may increase the administrative burden we face and create regulatory uncertainties that could adversely affect us, and a failure by our shareholders who are PRC residents to make any required applications and filings pursuant to such regulations may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (“SAFE Circular 37”). SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed PRC residents for foreign exchange administration purposes) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires an amendment to a SAFE registration in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as a change in the PRC shareholders, the names of such special purpose vehicle, and the operation term of such special purpose vehicle, or any significant changes with respect to the offshore special purpose vehicle, such as an increase or decrease of capital, a share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. If our shareholders who are PRC residents fail to make the required SAFE registration or to update a previously filed registration, our PRC subsidiaries may be prohibited from distributing their profits or the proceeds from any capital reduction, share transfer or liquidation to us, and we may also be prohibited from making additional capital contributions to our PRC subsidiaries.

In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective June 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, shall be filed with qualified banks instead of SAFE. The qualified banks directly examine the applications and accept registrations under the supervision of SAFE. To date, no registration has been filed with SAFE regarding us, and accordingly, SAFE may prohibit distributions from our PRC subsidiaries, which would prevent us from paying dividends and may adversely affect our financial condition and potentially expose us to liability under PRC law.

The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor may affect our investors’ benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this Annual Report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. As a result, the benefits of such PCAOB inspections to our investors and us are affected. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our common shares to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our common shares will be prohibited from trading in the United States under the HFCAA in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The HFCAA was signed into law on December 18, 2020. Pursuant to the HFCAA, the SEC will identify an issuer as a “Commission-Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading prohibition on an issuer preventing after it is identified as a Commission-Identified Issuer for three consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. Therefore, we expect to be identified as a “Commission-Identified Issuer” after the filing of this Annual Report on Form 20-F.

Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements for the year ending December 31, 2023, which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor’s, control. Such a prohibition would substantially impair your ability to sell or purchase our common shares when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our common shares.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our common shares could be prohibited from trading in the United States in 2023.

Proceedings instituted by the SEC against Chinese affiliates of the “Big Four” accounting firms, including our independent registered public accounting firm, could result in our financial statements being determined to not be in compliance with the requirements of the SEC.

In December 2012, the SEC instituted administrative proceedings against PRC-based affiliates of the “Big Four” accounting firms, including our independent registered public accounting firm, alleging that these firms had violated the U.S. securities laws and the SEC’s rules and regulations thereunder by failing to provide to the SEC the firms’ audit work papers with respect to certain PRC-based companies that are publicly traded in the U.S.

On January 22, 2014, the administrative law judge presiding over the matter rendered an initial decision that each of the firms had violated the SEC’s rules of practice by failing to produce audit papers and other documents to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months.

On February 6, 2015, four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms’ audit documents via the CSRC. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the U.S. with major PRC operations may find it difficult or impossible to retain auditors with respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the SEC, the consequences of which include possible delisting. Moreover, any negative news about proceedings against these audit firms may cause investor uncertainty regarding PRC-based, U.S.-listed companies and the market price of our common shares may be adversely affected.

If our independent registered public accounting firm was denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined not to be in compliance with the requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such a determination could ultimately lead to the delisting of our common shares from the Nasdaq Capital Market (“Nasdaq”) or deregistration under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our common shares in the U.S.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China.

Shareholder claims or regulatory investigations that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

If we fail to protect our intellectual property rights, it could harm our business and competitive position.

We own five patents in China covering our wastewater treatment technology, and we rely on a combination of patent protection, trade secret laws and other methods to protect our intellectual property rights. The process of seeking patent protection on future patents can be lengthy and expensive, our patent applications may be rejected, and our existing and future patents may be insufficient to provide us with sufficient protection or commercial advantage. Our patents and patent applications may also be challenged, invalidated or circumvented.

Implementation of Chinese intellectual property-related laws has historically been ineffective, primarily due to ambiguities in Chinese laws and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as those in the United States or other developed countries. Furthermore, we may need to resort to litigation to enforce or defend our patents. Such litigations and its results could cause substantial costs and diversion of resources and management attention, which could harm our business and growth.

PRC regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or M&A Rules, adopted by six PRC regulatory agencies in August 2006 and amended in June 2009, among other things, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Provisions Concerning Security Review on M&A, issued by the Ministry of Commerce in August 2011, specify that mergers and acquisitions by foreign investors involved in “an industry related to national security” are subject to strict review by the Ministry of Commerce, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On March 15, 2019, the Foreign Investment Law of the PRC was enacted by the National People’s Congress, and became effective on January 1, 2020. The Foreign Investment Law has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Sino-foreign Co-operative Enterprises Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC. According to the Foreign Investment Law, “foreign-invested enterprises” refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC laws within China, and “foreign investment” refers to any foreign investor’s direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws, administrative regulations or provisions prescribed by the State Council.

On December 26, 2019, the State Council issued Implementation Regulations for the Foreign Investment Law of the PRC (the “Implementation Rules”) which came into effect on January 1, 2020, and replaced the Implementing Rules of the Sino-foreign Equity Joint Ventures Enterprises Law of the PRC, the Implementing Rules of the Sino-foreign Co-operative Enterprises Law of the PRC and the Implementing Rules of the Wholly Foreign-invested Enterprise Law of the PRC. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and the relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail. The Implementation Rules also set forth that foreign investors that invest in sectors on the “Negative List” in which foreign investment is restricted shall comply with special management measures with respect to, among others, shareholding and senior management personnel qualification in the Negative List. Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the PRC Company Law, the Partnership Enterprise Law of the PRC and other applicable laws.

After the Foreign Investment Law and its Implementation Regulations became effective on January 1, 2020, the provisions of the M&A Rules remained effective to the extent they are not inconsistent with the PRC Foreign Investment Law and its Implementation Regulations. We believe that our business is not in an industry related to national security, but we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law, the State Administration for Market Regulation of the PRC, or SAMR, shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by directly acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

In December 2020, the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce promulgated the Measures for the Security Review of Foreign Investment, which came into effect on January 18, 2021. As these measures are recently promulgated, official guidance has not been issued by the designated office in charge of such security review yet. At this stage, the interpretation of those measures remains unclear in many aspects and whether these measures may apply to foreign investment that is implemented or completed before the enactment of these new measures. We cannot assure you that our current or new business operations will remain fully compliant, or that we can adapt our business operations to new regulatory requirements on a timely basis, or at all.

The approval of and/or filing with the CSRC or other PRC government authorities may be required in connection with our offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.

The M&A Rules require an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval if obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As a follow-up, on December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments.

The Draft Provisions and the Draft Administration Measures propose to establish a new filing-based regime to regulate overseas offerings of stocks, depository receipts, convertible corporate bond, or other equity securities, and overseas listing of these securities for trading, by domestic companies. According to the Draft Provisions and the Draft Administration Measures, an overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or business is mainly carried out in the PRC. According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC for its initial public offering, follow-on offering and other equivalent offering activities. Particularly, the issuer shall submit the filing with respect to its initial public offering and listing within three business days after its initial filing of the listing application, and submit the filing with respect to a follow-on offering within three business days after completion of the follow-on offering. Failure to comply with the filing requirements may result in fines to the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits and fines on the controlling shareholder and other responsible persons. The Draft Administration Measures also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises.

As of the date of this Annual Report, the Draft Provisions and the Draft Administration Measures have been released for public comment only. There are uncertainties as to whether the Draft Provisions and the Draft Administration Measures would be further amended, revised or updated. Substantial uncertainties exist with respect to the enactment timetable and final content of the Draft Provisions and the Draft Administration Measures. As the CSRC may formulate and publish guidelines for filings in the future, the Draft Administration Measures does not provide for detailed requirements of the substance and form of the filing documents. In a Q&A released on its official website, the respondent CSRC official indicated that the CSRC will start applying the filing requirements to new offerings and listings. Only new initial public offerings and refinancing by existing overseas listed Chinese companies will be required to go through the filing process. As for the filings for the existing companies, the regulator will grant adequate transition period to complete their filing procedures. Given the substantial uncertainties surrounding the latest CSRC filing requirements at this stage, we cannot assure you that we will be able to complete the filings and fully comply with the relevant new rules on a timely basis, if at all.

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Measures for Cybersecurity Review and the draft of Regulations on the Network Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes; such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

The Enterprise Income Tax Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC tax resident enterprises and will generally be subject to the uniform 25% PRC enterprise income tax rate on their global income. In 2009, the SAT issued the Circular of the State Administration of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the Actual Standards of Organizational Management, known as SAT Circular 82, which was partially amended by Announcement on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions issued by SAT on January 29, 2014, and further partially amended by Decision on Issuing the Lists of Invalid and Abolished Tax Departmental Rules and Taxation Normative Documents issued by SAT on December 29, 2017. SAT Circular 82, as amended, provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China, which include all of the following conditions: (i) the location where senior management members responsible for an enterprise’s daily operations discharge their duties; (ii) the location where financial and human resource decisions are made or approved by organizations or persons; (iii) the location where the major assets and corporate documents are kept; and (iv) the location where more than half (inclusive) of all directors with voting rights or senior management have their habitual residence. SAT Circular 82 further clarifies that the identification of the “de facto management body” must follow the substance over form principle. In addition, SAT issued the Announcement of State Administration of Taxation on Promulgation of the Administrative Measures on Income Tax on Overseas Registered Chinese-funded Holding Resident Enterprises (Trial Implementation) or the SAT Bulletin 45 on July 27, 2011, effective from September 1, 2011 and partially amended on April 17, 2015, June 28, 2016, and June 15, 2018, respectively, providing more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 clarifies matters including resident status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in SAT Circular 82 and SAT Bulletin 45 may reflect SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups or by PRC or foreign individuals.

Currently, there are no detailed rules or precedents governing the procedures and specific criteria for determining de facto management bodies which are applicable to our company or our overseas subsidiaries. We do not believe that CHNR meets all of the conditions required for PRC resident enterprise. The Company is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe our other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with ours.

However, if the PRC tax authorities determine that CHNR is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. Such 10% tax rate could be reduced by applicable tax treaties or similar arrangements between China and the jurisdiction of our shareholders. For example, for shareholders eligible for the benefits of the tax treaty between China and Hong Kong, the tax rate is reduced to 5% for dividends if relevant conditions are met. In addition, non-resident enterprise shareholders may be subject to a 10% PRC tax on gains realized on the sale or other disposition of common equity, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of the Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the Company is treated as a PRC resident enterprise.

Provided that our British Virgin Islands holding company, CHNR, is not deemed to be a PRC resident enterprise, our shareholders who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares. However, under Circular 7, where a non-resident enterprise conducts an “indirect transfer” by transferring taxable assets, including, in particular, equity interests in a PRC resident enterprise, indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, or the transferee or the PRC entity which directly owned such taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee would be obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. We and our non-PRC resident investors may be at risk of being required to file a return and being taxed under Circular 7, and we may be required to expend valuable resources to comply with Bulletin 37, or to establish that we should not be taxed under Circular 7 and Bulletin 37.

In addition to the uncertainty in how the new resident enterprise classification could apply, it is also possible that the rules may change in the future, possibly with retroactive effect. If we are required under the Enterprise Income Tax law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of our shares under the circumstances mentioned above, the value of your investment in our shares may be materially and adversely affected. These rates may be reduced by an applicable tax treaty, but it is unclear whether, if we are considered a PRC resident enterprise, holders of our shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. Any such tax may reduce the returns on your investment in our shares.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, replacing earlier rules promulgated in March 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiary of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who are granted options or other awards under our equity incentive plan will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary and limit our PRC subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

Failure to make adequate contributions to various mandatory social security plans as required by PRC regulations may subject us to penalties.

Under the PRC Social Insurance Law and the Administrative Measures on Housing fund, our PRC subsidiaries are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees up to a maximum amount specified by the local government from time to time at locations where they operate the businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. If the local governments deem our subsidiaries’ contribution to be not sufficient, our subsidiaries may be subject to late contribution fees or fines in relation to any underpaid employee benefits, and our financial condition and results of operations may be adversely affected.

Enforcement of stricter labor laws and regulations may increase our labor costs.

China's overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers who pay for our services, our profitability and results of operations may be materially and adversely affected. The PRC Labor Contract Law and its implementing rules impose requirements concerning contracts entered into between an employer and its employees and establishes time limits for probationary periods and for how long an employee can be placed in a fixed-term labor contract. We cannot assure you that our or our subsidiaries' employment policies and practices do not, or will not, violate the Labor Contract Law or its implementing rules or that we will not be subject to related penalties, fines or legal fees. If we or our subsidiaries are subject to large penalties or fees related to the Labor Contract Law or its implementing rules, our business, financial condition and results of operations may be materially and adversely affected. In addition, according to the Labor Contract Law and its implementing rules, if we intend to enforce the non-compete provision with an employee in a labor contract or non-competition agreement, we have to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract, which may cause extra expenses to us. Furthermore, the Labor Contract Law and its implementation rules require certain terminations to be based upon seniority rather than merit, which significantly affects the cost of reducing workforce for employers. In the event we decide to significantly change or decrease our workforce in the PRC, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost-effective manner, thus our results of operations could be adversely affected.

If the chops of our PRC subsidiaries are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, our PRC subsidiaries could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Risks Relating to Foreign Private Issuer Status

Because our assets are located outside of the United States and all of our directors and officers reside outside of the United States, it may be difficult for you to enforce your rights based on the U.S. federal securities laws against us or our officers and directors or to enforce a judgment of a United States court against us or our officers and directors in the PRC.

We are a BVI company, our officers and directors are nonresidents of the United States, our assets are located in the PRC, and our operations are conducted in the PRC. We do not maintain a business presence in the United States. Therefore, it may not be possible to effect service of process on such persons in the United States, and it may be difficult to enforce any judgments rendered against us or them. Moreover, there is doubt whether courts in the BVI or the PRC would enforce (a) judgments of United States courts against us, our directors or officers based on the civil liability provisions of the securities laws of the United States or any state, or (b) in original actions brought in the BVI or the PRC, liabilities against us or any nonresidents based upon the securities laws of the United States or any state.

Our status as a “foreign private issuer” results in less information being available about us than about domestic reporting companies.

We are a foreign private issuer and are not required to file as much information about us as domestic issuers are required to file. In this regard:

- we are not required to file quarterly reports on Form 10-Q and our annual reports on Form 20-F are subject to disclosure requirements that differ from annual reports on Form 10-K;
- we are exempt from the provisions of Regulation FD aimed at preventing issuers from making selective disclosures;
- the SEC proxy statement and information statement rules do not apply to us; and
- our officers, directors and principal shareholder are not required to file reports under Section 16 of the Exchange Act detailing their beneficial ownership of our shares; and they are not subject to the short-swing profit provisions under Section 16.

Since there is generally greater and more timely information available about domestic issuers than about foreign private issuers such as us, you will not be afforded the same protections or information as would be available to you if you were investing in a U.S. domestic issuer.

Due to our status as a “foreign private issuer,” we have adopted IFRS accounting principles, which are different from accounting principles under U.S. GAAP.

We have adopted and presented our financial statements in accordance with IFRS accounting principles. IFRS is an internationally recognized body of accounting principles that are used by many companies outside of the United States to prepare their financial statements, and the SEC permits foreign private issuers such as the Company to prepare and file their financial statements in accordance with IFRS rather than U.S. GAAP. IFRS accounting principles are different from those of U.S. GAAP, and SEC rules do not require us to provide a reconciliation of IFRS accounting principles to those of U.S. GAAP. Accordingly, we suggest that readers of our financial statements familiarize themselves with the provisions of IFRS accounting principles in order to better understand the differences between these two sets of principles.

As a “foreign private issuer” we are not subject to certain requirements that other Nasdaq-listed issuers are required to comply with, some of which are designed to provide information to and protect investors.

Our common shares are currently listed on Nasdaq and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by Nasdaq applicable to listed companies. However, we have elected to claim certain exemptions afforded to foreign private issuers by relevant Nasdaq rules, and as a result:

- a majority of the members of our board of directors (the “Board of Directors” or the “Board”) are not independent as defined by Nasdaq rules;
- our independent directors do not hold regularly scheduled meetings in executive session;
- while executive compensation is recommended by our Compensation Committee, which is comprised of independent directors, the compensation of our executive officers is ultimately determined by the Board of Directors rather than an independent committee of the Board or by the independent members of the Board of Directors;
- related party transactions are not required to be reviewed or approved by our Audit Committee or other independent body of the Board of Directors;
- we are not required to solicit shareholder approval of stock plans or issuances of securities, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party transactions or other transactions in which we may issue 20% or more of our outstanding common shares; or below market issuances of 20% or more of our outstanding shares to any person; and
- we are not required to hold an in-person annual meeting to elect directors and transact other business customarily conducted at an annual meeting.

Due to an exemption from Nasdaq rules applicable to “foreign private issuers,” our related party transactions may not receive the type of independent review process that those of other Nasdaq-listed companies receive; the terms of these transactions are not negotiated at arm’s-length and may not be as favorable as could be obtained from unrelated parties.

We have historically engaged in a substantial number of transactions with related parties in the ordinary course of business, predominantly with our principal beneficial owner and former Chairman and Chief Executive Officer and/or companies that he owns or controls. These transactions are described in greater detail elsewhere in this Annual Report. In general, Nasdaq rules require that related party transactions be reviewed by an audit committee or other committee comprised of independent directors. However, under Nasdaq rules applicable to foreign private issuers such as our company, we are exempt from certain Nasdaq requirements, including requirements applicable to independent director review of related party transactions. This exemption is available to us because the laws of the BVI, our home jurisdiction, do not mandate independent review of related party transactions.

Notwithstanding the foregoing, nonrecurring related party transactions (i.e., related party transactions that are not in the ordinary course of business) are submitted for approval by our Board of Directors, following disclosure of the related party’s interest in the transaction, and, in all cases, Board approval has historically included the unanimous approval of our independent directors. In addition, our annual audited financial statements, including the related party transactions reported therein, are approved by our Audit Committee, which is comprised solely of independent directors. However, except to the limited extent described above, these transactions are not individually reviewed or approved solely by independent directors. While management believes that our related party transactions have been on terms at least as favorable to the Company as could be obtained from unrelated parties, there is no assurance that such is the case or will be so in the future, or that shareholders would not be better protected if we were not exempt from, or we chose to voluntarily comply with, the applicable Nasdaq rules.

Risks Relating to Our Common Shares

There are a limited number of our common shares in the public float and trading in our shares is not active; therefore, our common shares tend to experience price volatility.

There are currently approximately 13,408,397 of our common shares in the public float and, in general, there has not been an active trading market for our shares. Our shares tend to trade along with other shares of public companies whose operations are based in the PRC, and, at times, in tandem with other natural resource companies. These shares tend to exhibit periods of extreme volatility and price fluctuations, even when there are no events peculiar to the Company that appear to warrant price changes. We cannot assure you that price volatility will not continue in the future or, as a result thereof, that market prices will reflect actual values of our company.

As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our shareholders may disproportionately influence the price of those shares in either direction. The share price could, for example, decline precipitously in the event that a large number of shares are sold on the market without commensurate demand. As a consequence of this enhanced risk, more risk-adverse investors may, due to the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be in the case of the stock of a seasoned issuer, negatively impacting the trading price of our common shares.

You may experience dilution to the extent that our common shares are issued upon the exercise of outstanding warrants or other securities that we may issue in the future.

You may experience dilution to the extent that our common shares are issued upon the exercise of our outstanding warrants, and if we issue additional equity securities, or there are any issuances and subsequent exercises of stock options issued in the future. Up to 1,980,000 common shares may be issued with the exercise of warrants at a per share exercise price of \$2.35 issued to investors and the placement agent in a private placement in January 2021. See “Item 10.C. ADDITIONAL INFORMATION – Material Contracts.” These warrants also bear anti-dilution protections in the event of stock dividends or splits, business combination, sale of assets, similar recapitalization transactions, or other similar transactions. The trading price of our common shares may be depressed upon the exercise of these warrants.

Our principal beneficial owner and his affiliates control us through their stock ownership; and their interests may differ from those of other shareholders.

Mr. Li Feilie, beneficial owner of a majority of our outstanding common shares, beneficially owns approximately 65.6% of our outstanding common shares, and as a result, Mr. Li is and will continue to be able to influence the outcome of shareholder votes on various matters, including the election of directors and extraordinary corporate transactions such as business combinations. Through his related companies, Mr. Li also provides funding to support the Company's operating expenses and holds a substantial amount of the Company's debt (see "Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions," below). Mr. Li's interests may differ from those of other shareholders. Additional information relating to the beneficial ownership of our securities is contained elsewhere in this Annual Report under "Item 6.E. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES – Share Ownership."

The rights of our shareholders are governed by BVI law, the provisions of which may not be as favorable to shareholders as under U.S. law, and our directors may take actions with which you disagree without first receiving shareholder approval.

Our directors have the power to take certain actions without shareholder approval, including the amendment of our Amended and Restated Memorandum of Association ("Memorandum") and our Articles of Association ("Articles") (unless such amendment varies the rights attached to shares) or an increase or reduction in our authorized capital, which would require shareholder approval under the laws of most jurisdictions in the United States. In addition, the directors of a BVI company, subject in certain cases to court approval but without shareholder approval, may, among other things, implement a reorganization, certain mergers or consolidations with a subsidiary, the sale, transfer, exchange or disposition of any assets, property, part of the business, or securities of the company, or any combination of the foregoing (provided the assets do not represent more than 50% of the total assets of the company and the sale is not outside of the usual or ordinary course of the company's business), if they determine it is in the best interests of the company. Our ability to amend our Memorandum and Articles without shareholder approval could allow our directors to implement provisions to those documents that have the effect of delaying, deterring or preventing a change in our control without any further action by the shareholders, including a tender offer to purchase our common shares at a premium over then current market prices, as could the ability of our directors to issue blank check preferred stock.

The elimination of monetary liability against our directors, officers and employees under our Articles and the indemnification of our directors, officers and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers and employees.

Our Articles contain provisions that eliminate the liability of our directors for monetary damages to us and to our stockholders to the maximum extent permitted under the corporate laws of the BVI. We may provide contractual indemnification obligations under agreements with our directors, officers and employees. These indemnification obligations could result in our incurring substantial expenditures to cover the cost of settlements or damage awards against directors, officers and employees, which we may be unable to recoup. These provisions and resultant costs may also discourage us from bringing a lawsuit against directors, officers and employees for breach of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors, officers and employees even though such actions, if successful, might otherwise benefit the Company and our shareholders.

We may be classified as a passive foreign investment company, which could result in adverse U.S. federal income tax consequences to U.S. shareholders.

We have not made a determination whether we will or will not be a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes in the current tax year or in subsequent tax years. Whether we are a PFIC is determined on a year-by-year basis, and we cannot assure you that we are not and we will not be a PFIC for our future tax years. A non-U.S. corporation is generally a PFIC if either (i) at least 75% of its gross income is passive income for a tax year or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a tax year) are attributable to assets that produce or are held for the production of passive income. The market value of our assets may be determined to a large extent by the market price of our common shares. If we are treated as a PFIC for any tax year in which U.S. shareholders hold common shares, certain adverse U.S. federal income tax consequences could apply to such U.S. shareholders. For further discussion of the implications of PFIC status, please refer to "Item 10.E. ADDITIONAL INFORMATION – Taxation – United States Federal Income Taxation."

Risks Relating to the Ongoing COVID-19 Pandemic

COVID-19 has disrupted our operations, may further disrupt our operations or adversely affect our operations and financial position in the future, and may exacerbate the various other Risk Factors that we face.

The COVID-19 pandemic is still impacting countries, communities, supply chains and markets globally. Governments and other authorities in the PRC and around the world have taken a slew of unprecedented measures intended to control the spread of COVID-19, including quarantines, restrictions on travel and public gatherings, and the temporary closure of certain businesses and facilities. The pandemic and the efforts to contain it have caused significant economic and financial disruptions around the world, including the disruption of industrial operations and global logistical and supply chains, and extreme volatility in the global financial markets.

More broadly, the outbreak of COVID-19 in the PRC resulted in travel restrictions, tightened border controls, and the shutdown of businesses, which caused a slower recovery of the PRC economy from the impacts of large-scale quarantines. We may experience further impacts from current or future government-enforced quarantines and market downturns related to pandemic fears, as well as on our workforce if the virus continues to spread and affects their health or freedom of movement. The COVID-19 pandemic also affected our suppliers' workforces, and as a result we experienced a slow resumption of operations and delays or the inability to deliver goods or complete construction projects on a timely basis. In addition, one or more of our customers, partners, service providers or suppliers may experience financial distress or delays or defaults on payment, file for bankruptcy protection, or suffer disruptions in their business due to the outbreak, which may adversely impact our arrangements with them.

The COVID-19 outbreak and governmental control measures imposed to contain its spread have impacted our business by restricting the movement of our employees from time to time. From February through May 2022, due to a resurgence of the pandemic in Shenzhen, Shanghai and other cities, some of the Company's personnel were quarantined at home and were unable to return to work at the Company's offices. Accordingly, our operations were severely disrupted by COVID-19 and efforts to contain it. During this period, the resurgence of the pandemic in Shanghai and other cities was more severe and longer than expected, which affected our materials transportation and caused the inability of personnel to arrive at construction sites. Several construction projects were delayed, and our market expansion was also affected due to lower demand and our comparative inability to carry out marketing activities. These factors will lead to a significant reduction in our revenue in the first quarter of 2022.

The market demand for the metals that we may mine was similarly negatively impacted by COVID-19 as a result of the sharp decrease in manufacturing and other activity due to the widespread closure of businesses in the PRC and worldwide, with a commensurate impact on commodity prices. Although prices soon recovered and reached high levels in 2021, the extent to which demand and prices will be supported in the future is highly uncertain. We cannot predict when COVID-19 may be controlled and global demand may reach levels observed prior to COVID-19, if ever. Similarly, the impact of COVID-19 led to extreme volatility in the capital markets, which has affected and may continue to affect the price of our common shares, and may impact our ability to access the capital or credit markets.

The extent to which the evolving COVID-19 pandemic ultimately impacts our results of operations is highly uncertain and will depend upon the severity of the COVID-19 pandemic and the actions taken by governments at various levels and private businesses in an attempt to contain the spread of the virus. Wider-spread COVID-19 in the PRC and globally could again cause deterioration in economic conditions and further decreases in demand and reduce and/or negatively impact our ability to grow our revenues. Any decreased collectability of accounts receivable, bankruptcy of our customers or suppliers, or early termination of agreements that we have in place or may enter into due to deterioration in economic conditions could negatively impact our results of operations. The ongoing COVID-19 pandemic will likely serve as an exacerbating factor for many of the other Risk Factors discussed above.

It is not possible to foresee all risks that may affect us. Moreover, we cannot predict whether we will successfully effectuate our current business plans. Each prospective purchaser of our common shares is encouraged to carefully analyze the risks and merits of an investment in the common shares and should take into consideration when making such analysis, the Risk Factors discussed above, among others.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

China Natural Resources, Inc. was incorporated in the BVI on December 14, 1993, and is a company limited by shares organized under the BVI Business Companies Act. We are not a Chinese operating company but a BVI holding company with operations conducted by our subsidiaries established in the PRC.

The Company is a holding company that operates in two reportable operating segments: wastewater treatment and exploration and mining. During 2021, the Company entered the rural wastewater treatment industry in the PRC by acquiring a 51% equity interest in its operating subsidiary Shanghai Onway. Additionally, the Company is engaged in metal exploration and mining activities in Inner Mongolia Autonomous Region of the PRC, including exploring for lead, silver and other nonferrous metal. The Company is also actively exploring business opportunities in the healthcare and other non-natural resource sectors.

Acquisition of PST Technology

On July 27, 2021, the Company entered into a Sale and Purchase Agreement (the “Sale and Purchase Agreement”) with Li Feilie, pursuant to which the Company issued three million restricted common shares, no par value, and transferred 120 million shares of FARL, as well as approximately CNY10.3 million (US\$1.6 million), to Feishang Group, in exchange for all outstanding shares of PST Technology and the transfer to the Company of approximately CNY130.0 million (US\$20.5 million) of PST Technology’s outstanding debt previously owed to Mr. Li, which debt was eliminated upon consolidation. PST Technology, through its wholly owned subsidiaries, owns a 51% equity interest in Shanghai Onway. Shanghai Onway is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC projects and public-private partnership (“PPP”) projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services. The total value of the consideration that the Company provided to Mr. Li was approximately CNY104.1 million (US\$16.4 million), which amount was a 20% discount to the valuation (including the assigned debt) of PST Technology provided by an independent valuation firm. For more information, see “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of PST Technology.”

Acquisition of FARL Shares

On August 17, 2020, we acquired 120 million shares of FARL, a company that is traded on the main board of the Hong Kong Stock Exchange under ticker 1738, representing approximately 8.7% of the outstanding equity of that company. For more information, see “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of FARL Shares in Exchange for Newly Issued Company Shares.” The 120 million shares of FARL were transferred as part of the consideration for the acquisition of all the outstanding shares of PST Technology.

Exploration Activities in Inner Mongolia

In November 2017, we acquired all of the issued and outstanding capital stock of Bayannaer Mining for a purchase price of CNY716,900. Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering the Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. The exploration permit evidences Bayannaer Mining’s right to explore for minerals at the Moruogu Tong Mine. Initial results of the exploration program indicate the presence of lead and silver, with the prospect that further surveying and exploration may indicate the presence of other ores such as copper. We anticipate that our working capital and capital expenditures for our exploration activities will be funded by non-interest-bearing loans from our affiliates and funds provided pursuant to the Cooperation Agreement. See “– Metal Exploration Activities” below for more information and a discussion of developments at the Moruogu Tong Mine.

Copper Ore Trading

In 2019 and 2020, Bayannaer Mining was involved in the trade of copper ore in the PRC. We ceased trading copper ore in the second half of 2020, due to volatile fluctuations in the price of copper.

Other Matters

We made capital expenditures of CNY9.84 million, CNY7.84 million, and CNY0.09 million (US\$0.01 million) in 2019, 2020 and 2021, respectively. Our capital expenditures for 2019, 2020 and 2021 consisted primarily of payments for the acquisition of property, plant and equipment in connection with our maiden PPP project (see “Item 4.B. INFORMATION ON THE COMPANY – Business Overview – Rural Wastewater Treatment Activities – Overview of Shanghai Onway” for further information), as well as the purchase of property, plant and equipment for office use.

On October 16, 2020, we announced that in addition to our mining segment, we would explore potential investments, among others, in the healthcare sector of the PRC. We intend to explore the opportunities presented by the healthcare sector in the PRC, and to further diversify our operations as we move into our next phase of growth. Driven by an aging population, increasing disposable income, and rising health awareness and life expectancy, we believe that the PRC has become a major healthcare market with sizable and steadily increasing healthcare expenditures, and that the relatively early stage of development and huge market potential provides fertile ground for our new expansion strategy. On October 22, 2020, we appointed Zou Yu as Vice President of the Company. Mr. Zou has more than ten years of experience in the healthcare sector and has five years' experience with mergers and acquisitions in the healthcare sector. Additionally, on March 22, 2021, we appointed Dr. Peng Wenlie as Vice President of the Company. Dr. Peng has been engaged in the development of natural medicines and investment consulting for more than 20 years. He currently serves as Chairman of the Board of Shanghai Onway, as director of Guangxi Huaxia Herbal Medicine Co. Ltd., and as director of Guangxi Huaxia Herbal Medicine Sales Co. Ltd. He previously served as Director of the Biomedicine Investment Department of Feishang Enterprise. While at Feishang Enterprise, Dr. Peng led the selection of target companies for investment in the biomedical space, conducting due diligence and appraising risks and returns as part of the investment decisions. He is responsible for evaluating the Company's investment opportunities in the healthcare, biomedicine, and related markets.

On July 27, 2021, we diversified our business by entering the environmental protection sector, which provides compelling synergies with our current operations, through the acquisition of PST Technology. We believe that demand for comprehensive environmental protection solutions is on a sustained growth trajectory given the global need for more effective environmental solutions. We are committed to corporate social responsibility and to improving relations with the local communities in which we operate, which we believe will in turn benefit our mining operations in the long term.

The Company's executive offices are located at Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong, telephone +852 28107205. The Company does not currently maintain an agent in the United States.

The SEC maintains an internet website that contains reports, information statements and other documents that we furnish to or file with the SEC. Those documents may be viewed, downloaded and/or printed. The address of the SEC website is <http://www.sec.gov>.

We maintain a company website at <http://www.chnr.net>. The information on our website is not a part of this Annual Report, and is not incorporated by reference herein.

B. Business Overview

CHNR is currently principally engaged in the provision of equipment for rural wastewater treatment and EPC services related to wastewater treatment in China and in exploration for lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC.

In July 2021, CHNR diversified into environmental protection business through the acquisition of a 51% equity interest in Shanghai Onway, a PRC company which is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC and PPP projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services.

Bayannaer Mining holds an exploration permit issued by the Land and Resources Department of Inner Mongolia Autonomous Region covering the Moruogu Tong Mine, located in Wulatehouqi, Bayannaer City, Inner Mongolia. Based upon preliminary geologic surveys, it is believed that the Moruogu Tong Mine contains lead and silver, with the prospect that further surveying and exploration may indicate the presence of other ores such as copper.

Rural Wastewater Treatment Activities

Acquisition of PST Technology

On July 27, 2021, the Company entered into the Sale and Purchase Agreement with Mr. Li Feilie, pursuant to which the Company acquired all outstanding shares of PST Technology and accepted the assignment to the Company of approximately CNY130.0 million (US\$20.5 million) of PST Technology's outstanding debt previously owed to Mr. Li, for a total consideration of approximately CNY104.1 million (US\$16.4 million), which amount was a 20% discount to the valuation (including the assigned debt) of PST Technology provided by an independent valuation firm.

The consideration was paid to Feishang Group and comprised (i) three million of the Company's restricted common shares (at \$1.48 per share, based on the average closing price of the Company over the five trading days before July 27, 2021); (ii) 120 million shares of Feishang Anthracite held by the Company (at \$0.08 per share, based on the average closing price of Feishang Anthracite over the five trading days before July 27, 2021, and discounted for lack of marketability according to an independent valuation report); and (iii) a sum of approximately CNY10.3 million (US\$1.6 million) in cash. Feishang Group Limited, the largest stockholder in the Company, is wholly owned by Mr. Li Feilie.

The Sale and Purchase Agreement contains customary representations, warranties and undertakings covering such matters as ownership of PST Technology's shares by the seller free and clear of all liens, charges and encumbrances and due authorization, execution and enforceability of the Sale and Purchase Agreement, as well as covering the historical operations of PST Technology and its subsidiaries, including without limitation, their organization, capitalization, patents held, financial condition, tax payments and compliance with applicable laws, rules and regulations. The Sale and Purchase Agreement also contains indemnification provisions in favor of the Company in the event of breaches of the seller's representations, warranties and undertakings.

PST Technology, through its wholly owned subsidiaries, owns a 51% equity interest in Shanghai Onway. Shanghai Onway is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC and PPP projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services.

The foregoing description of the Sale and Purchase Agreement is only a summary and is qualified in its entirety by reference to the Sale and Purchase Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.6 to this Annual Report.

Wastewater Treatment Industry and Market

Wastewater treatment is the process of purifying wastewater in order to meet the water quality requirements for discharge to a certain body of water or for reuse. Based on the source of wastewater, it can be classified into production wastewater treatment or domestic wastewater treatment. Production wastewater includes industrial wastewater, agricultural wastewater and medical wastewater, and so forth, and domestic wastewater is wastewater produced in daily life, which refers to a complex mixture of various forms of inorganic and organic matter. There are a number of ways to treat wastewater, including physical methods, chemical methods and biological methods.

Rural wastewater mainly involves domestic wastewater and agricultural wastewater. Domestic wastewater generally does not contain toxicity and may be used as fertilizer, so it can be used to irrigate farmland. On the contrary, the composition of agricultural wastewater is diverse, and different treatment methods are required depending on seasons, locations, and development goals of the towns and villages. The purpose of a rural wastewater treatment station is to treat domestic wastewater and agricultural wastewater in towns and villages in order to meet the prescribed discharge standards. It is an important facility for environmental protection.

The development of the global rural wastewater treatment industry can roughly be divided into three stages: pioneering, developing and growing. Pioneers, led by the United States, achieved universal rural wastewater treatment in the last century. Germany and Japan, and other countries with rapid technological development, started to develop rural wastewater treatment after the year 2000. We expect that large developing countries such as China and India, as well as third world countries, will see huge growth in rural wastewater treatment in the coming decades after increasing the penetration rate of urban wastewater treatment.

By 2017, China's urban wastewater treatment rate had risen above 90%. In contrast, China's rural wastewater treatment rate was less than 50% (the figure was well below 20% for villages), and the construction of drainage pipelines seriously lagged behind, which was a huge gap. Currently China's municipal water market has been extending from cities to the vast number of towns and villages. The rural wastewater treatment industry is undergoing a period of rapid development, potentially involving massive numbers of townships and villages in China. It is roughly estimated that for the rural wastewater treatment rate to reach above 80% by 2028, it will require more than CNY500 billion of investment in new construction, and in the meantime, a service market with an annual scale of more than CNY100 billion will be formed.

Overview of Shanghai Onway

Shanghai Onway is an environmental protection technology enterprise incorporated in July 2015 in the PRC. The registered capital of Shanghai Onway is approximately CNY20.41 million. It is currently 51% owned by Shenzhen Qianhai (an indirect wholly owned subsidiary of the Company), 25% owned by Anxon Envirotech Pte. Ltd (a direct wholly owned subsidiary of AnnAik Limited, which is listed on the Singapore Stock Exchange under ticker A52), and 24% owned by Shanghai Xingyu Environment Engineering Co., Ltd. Shanghai Onway is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC and PPP projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services.

Shanghai Onway has a team of well-regarded experts with deep industry experience in the field of wastewater treatment and carries out its rural wastewater treatment business using proprietary wastewater treatment technologies including five patents, namely (i) bio-trickling filter packing frame with uniform water distribution and automatic reoxygenation effects; (ii) wastewater reinforced phosphorous removal packing and preparation method thereof; (iii) shore bank step combination formula non-point source pollution control system; (iv) modularization ecological substrate composite biological chinampa with primary and secondary connector link; and (v) water distributor. With Shanghai Onway’s core biological filtration technology, a series of optimized and integrated processes are formed to provide advanced and practicable solutions to decentralized rural wastewater treatment and resources recycling in the PRC.

Since its incorporation, Shanghai Onway has leveraged its proprietary wastewater treatment technologies to undertake 236 EPC projects, mainly in Zhejiang province, Jiangsu province and Shanghai, among which 10 projects are currently in progress as of the date of this Annual Report. Our wastewater treatment activities are not affected by seasonality.

In July 2018, Shanghai Onway was awarded its maiden PPP project, Wujiang District Rural Domestic Waste and Wastewater Treatment Infrastructure, by the Housing and Urban-Rural Development Bureau (“HURDB”) of Wujiang District in Shaoguan City, Guangdong province of the PRC (the “Wujiang Project”). Investment in the Wujiang Project totaled approximately CNY134 million. The Wujiang Project was undertaken by our non-wholly owned subsidiary, Shaoguan Angrui, which was set up on June 22, 2018, with registered capital of CNY26.68 million. The respective shareholdings in Shaoguan Angrui are as follows:

Shareholders	Shareholding	Nature
Shanghai Onway	55%	-
Guangzhou Ruiyi Environmental Protection Technology Co., Ltd.	20%	Strategic Investor
Guangdong Xifu Environmental Protection Technology Co., Ltd.	4%	Strategic Investor
Guangdong Xinzheng Construction Engineering Co., Ltd.	1%	Strategic Investor
Shaoguan Wujiang Runheng Municipal & Rural Development Investment Co., Ltd.	20%	Local Government Related Enterprise
Total	100%	

The Wujiang Project involves the provision of waste disposal, treatment and cleaning services, including the construction of loading stations for solid waste treatment and facilities and associated piping network for rural wastewater treatment in three townships. Shaoguan Angrui was granted a 30-year service concession by the HURDB. Pursuant to the “service concession arrangement,” the HURDB controls or regulates the services Shaoguan Angrui provides, to whom it must provide them, and at what price, and the HURDB will retain all of Shaoguan Angrui’s rights and interests in the project facilities, including infrastructure at the end of the term of the arrangement. The Wujiang Project was funded 20% by Shaoguan Angrui’s internal resources (i.e., equity) and 80% by bank borrowings.

Shanghai Onway has also undertaken a considerable number of EPC projects in Zhejiang province, Jiangsu province and Shanghai and has accumulated what it considers extensive knowledge, experience and customer relationships in these regions. The number of potential and suitable PPP projects available is relatively small, but Shanghai Onway will use reasonable endeavors to undertake new PPP projects in the future whenever suitable opportunities arise. In 2019, 2020 and 2021, revenues derived from the EPC projects amounted to CNY43.29 million, CNY11.23 million and CNY12.39 million (US\$1.95 million), respectively, and those derived from the Wujiang Project were CNY90.92 million, CNY24.41 million and CNY6.35 million (US\$1.0 million), respectively.

Shanghai Onway's proprietary biological filtration technology and integrated processes have the competitive advantages of high effectiveness, strong stability, low energy consumption, and low operation and maintenance costs. Most of the filtration materials at the core of the technology come from industrial waste, which can achieve desirable water treatment results at much lower cost than other filtration materials such as membrane bioreactors and integrated burials. This technology can potentially reduce the direct operating cost of the operator, which may enhance the ability of the owners of the EPC and PPP projects to maximize profit over a multi-year operating period.

Competition

The main participants in the wastewater treatment market include large environmental protection groups and regional small and medium-sized private enterprises. Large environmental protection groups (mainly central and state-owned enterprises and listed companies) focus on comprehensive control of water pollution, especially the construction of large-scale wastewater treatment plants, involving planning, design, investment and construction in early stages, and management and operation in later stages. They usually have large investments in projects and heavy assets. In the rural wastewater treatment market, small and medium-sized private enterprises have a larger market share.

In the rural wastewater treatment market, there are four main technologies: (i) miniaturized traditional physical and chemical processing technology, (ii) the biological filtration technology represented by Shanghai Onway, (iii) integrated membrane bioreactor equipment, and (iv) constructed wetland technology. The constructed wetland technology has been gradually eliminated from the market due to blockages in the later stages of operation. The membrane bioreactor technology has not been widely used in the market due to problems such as large initial investments and high costs associated with regular cleaning and replacement of easily polluted membranes. The miniaturized traditional process is the only technology currently competing with Shanghai Onway's biological filtration technology. The former has the advantage of small initial investments in construction and the disadvantage of high operation and maintenance costs requiring the presence of personnel familiar with the technology. The latter has the advantage of simple operation and maintenance with low ongoing costs but requires large initial investments in construction.

Government Regulation and National Policy of Rural Wastewater Treatment Industry

The development of the rural wastewater treatment industry is highly supported by national policies in the PRC. Some of the regulations and policies are summarized below.

In 2010, in order to promote domestic wastewater treatment in rural areas of the PRC, the Ministry of Housing and Urban-Rural Development issued the "Technical Guidelines for Rural Domestic Wastewater Treatment by Regions." The document set out the characteristics, discharge requirements and drainage systems of rural domestic wastewater in each region of the PRC, as well as rural domestic wastewater treatment technologies (including parameters and schematic diagrams), selection of technologies, management of facilities and engineering examples.

In 2010, the Ministry of Environmental Protection issued the "Technical Specifications for Control of Domestic Pollution in Rural Areas" and the "Technical Policy on Prevention and Control of Domestic Pollution in Rural Areas." The former document introduced several technologies for controlling rural domestic wastewater pollution, including source control, household biogas digesters, decentralized wastewater treatment with low energy consumption, centralized wastewater treatment, and rainwater collection and discharge. The latter document set out that the technical route of rural domestic pollution prevention and control should be based on source control, decentralized treatment with some support of centralized treatment, and resource reutilization.

In 2014, the Eighth Session of the Standing Committee of the Twelfth National People's Congress revised the "Environmental Protection Law of the People's Republic of China." The document sets out that governments at all levels in the PRC should allocate funds in their budgets to support environmental protection work, including protection of rural drinking water sources, treatment of domestic wastewater and other waste, prevention and control of pollution from livestock and poultry breeding, prevention and control of soil pollution and control of pollution from rural industries and mines.

In 2014, the "Guiding Opinions of the General Office of the State Council on Improving the Rural Living Environment" proposed to accelerate comprehensive improvement of the rural environment focusing on the treatment of rural waste and wastewater. Where conditions permit, urban waste and wastewater treatment facilities and services may be extended to rural areas. For villages with large populations far away from cities and towns, village-level wastewater treatment facilities may be built, and for villages with small populations, household wastewater treatment facilities may be built.

In 2017, the “Thirteenth Five-Year Plan for Comprehensive Improvement of the National Rural Environment” highlighted the importance of protection of rural drinking water sources and treatment of domestic waste and wastewater. In 2018, the “Three-Year Action Plan for the Improvement of Rural Living Environment” promoted the treatment of rural domestic wastewater using technologies with low costs, low energy consumption, easy maintenance and high efficiency, and encouraged the adoption of ecological treatment technologies.

In 2018, the Ministry of Ecology and Environment and the Ministry of Housing and Urban-Rural Development issued the “Notice on Accelerating the Formulation of Rural Domestic Wastewater Discharge Standards by Regions.” Local governments were encouraged to speed up the formulation of standards for rural wastewater treatment and discharge according to local conditions. In 2019, the “Technical Standards for Rural Domestic Wastewater Treatment Projects” issued by the Ministry of Housing and Urban-Rural Development optimized the specific technical parameters of rural wastewater treatment to adapt to the characteristics of rural wastewater in China.

In 2020, a group of three standards were set up, namely the “Standard for Small Domestic Wastewater Treatment Equipment,” the “Evaluation Specification for Small Domestic Wastewater Treatment Equipment,” and the “Technical Regulations for Operation and Maintenance of Village Domestic Wastewater Treatment Facilities.” The first document set out some standardized information for small-scale domestic wastewater treatment equipment, including information registration, design, manufacturing, transportation and installation. The second document set out a standardized evaluation process suitable for China’s national conditions for small-scale wastewater treatment equipment, after considering the experience of such evaluation systems in developed countries and the relevant climatic, geographical and economic conditions of different regions in China. The third document set out the operation and maintenance standards on the operation and maintenance of facilities (collection systems and treatment facilities), operation and maintenance process, operation and maintenance personnel, and operation and maintenance service organization, among other standards.

In 2021, the “Guidelines on Accelerating the Modernization of Rural Houses and Villages” highlighted the importance of promoting rural domestic wastewater treatment in accordance with local conditions. Rural areas should adopt small-scale, ecological and decentralized wastewater treatment models and processes, set appropriate discharge standards, and promote local resource reutilization of rural domestic wastewater.

Metal Exploration Activities

Lead, Silver and Copper Industry and Market

Lead (chemical element symbol Pb) is a supple and ductile heavy metal that is denser than most common materials. In its pure state, lead is bluish-white and tarnishes to a dull gray color when exposed to air. It is extensively used in construction, plumbing, batteries, bullets and shot, weights, solders, pewters, fusible alloys, white paints, leaded gasoline, and radiation shielding. Lead’s properties of high density, low melting point, ductility and relative inertness to oxidation allow it to be used in a wide range of applications, of which use in lead-acid batteries is by far the most prevalent. The reactions in the battery between lead, lead dioxide, and sulfuric acid provide a reliable source of voltage. Despite having lower energy density and charge-discharge efficiency than lithium-ion batteries, lead-acid batteries have stable electromotive force when discharging and steady working voltage, while being significantly cheaper. These properties and their ability to supply high surge currents and operate under a wide range of temperatures make them useful in the automobile industry.

Lead is an internationally traded commodity, the price of which is established on commodity markets throughout the world. During 2020, the metals market was hit hard by the impacts of the COVID-19 pandemic. During 2021, the major economies were all on track for recovery and achieved different levels of economic growth. This, combined with massive quantitative easing, led to a strong and even overheated commodity market worldwide. Global refined lead supply and demand both experienced a sharp rebound, but supply was still in surplus. Lead inventories in China piled up in the second and third quarters of 2021. Then demand picked up in the fourth quarter, and inventories started to fall from high levels. During the year, the price of lead was not strong compared with some other metals and in general fluctuated sideways. The SHFE lead price reached an annual high of CNY16,420 (US\$2,583) per ton in late July 2021 before it dropped sharply and reached an annual low of CNY14,055 (US\$2,211) per ton in late September 2021. In October 2021, there was a steep rebound from the annual low. The closing price at the end of 2021 was CNY15,300 (US\$2,407) per ton, representing an increase of approximately 3.8% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world demand of lead over the past five years:

	2017	2018	2019	2020	2021
World refined production (in thousands of tons)	11,580	11,765	11,772	11,848	12,253
World demand (in thousands of tons)	11,777	11,902	11,808	11,718	12,226
China's refined production (in thousands of tons)	4,920	4,847	4,976	4,943	—
China's demand (in thousands of tons)	4,995	5,006	4,916	5,000	—
London Mercantile Exchange ("LME") average price (US\$/ton)	2,531	2,021	1,927	1,994	2,304
SHFE average price (CNY/ton)	19,160	18,005	15,115	14,745	15,370

Source: International Lead and Zinc Study Group, LME, SHFE, Wind Economic Database.

Silver (chemical element symbol Ag) is a soft, ductile, and malleable metal with the highest electrical conductivity, thermal conductivity and reflectivity of any metal. It has a brilliant white metallic luster that can take a high polish and has similar physical and chemical properties with copper and gold. Most silver is produced as a byproduct during refining of copper, gold, lead, or zinc. Despite being more abundant than gold, silver has long been valued as a precious metal and used in currency and as an investment medium (bullion coins) alongside gold. It is also used as an industrial metal in jewelry, silverware, medicine, electronics, brazing alloys, chemical equipment, catalysis, photography, etc.

Silver is an internationally traded commodity, the price of which is established on commodity markets throughout the world. Silver tends to trend in lockstep with gold, but it also has its own unique market trend because it has stronger industrial attributes compared with gold. As the major economies were all on track for recovery in 2021, global silver supply and demand both experienced a sharp rebound, but supply was still in surplus. The price of silver was pressured by stronger US Dollar index and US Treasury yields on expectations of tighter monetary policy as well as by continued impacts from the ongoing COVID-19 pandemic. During the year, the price of silver was high and volatile but generally followed a declining trend. The SHFE silver price reached an annual high of CNY6,085 (US\$957) per kg in early February 2021 before it declined and reached an annual low of CNY4,588 (US\$722) per kg in December 2021. The closing price at the end of 2021 was CNY4,880 (US\$768) per kg, representing a decrease of approximately 14.1% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world demand of silver over the past five years:

	2017	2018	2019	2020	2021
World mine production (in tons)	24,873	24,252	25,476	23,942	—
World total production (in tons)	32,117	31,626	31,822	30,422	32,854*
World total demand (in tons)	30,005	30,739	30,848	29,965	32,130*
COMEX average price (US\$/oz)	17.1	15.5	17.9	26.4	23.4
SHFE average price (CNY/kg)	3,885	3,674	4,432	5,585	4,845

*: Certain data for 2021 was not available as of the date of the filing of this Annual Report and was forecasted.
Source: COMEX, SHFE, Wind Economic Database.

Copper (chemical element symbol Cu) is a ductile metal with excellent electric conductivity and is rather supple in its pure state and has a pinkish luster. Copper was one of the first metals used by man. It is now primarily used as a heat conductor, an electrical conductor, a building material, and a constituent of various metal alloys. Copper alloys have excellent mechanical properties and low resistivity, among which bronze and brass are the most important. Copper is also a durable metal that can be recycled many times without losing its mechanical properties. Copper's properties of high electrical and thermal conductivity, together with good workability, allow it to be used in a wide range of applications, of which wire and cable and other electrical uses are by far the most prevalent. The primary uses of copper are in electrical and electronic products, the building and construction industry and, to a lesser extent, industrial machinery and equipment, consumer and general products and transportation.

Copper is an internationally traded commodity, the price of which is established on commodity markets throughout the world. Traditionally, the price of copper is closely related to economic cycles and largely determined by supply and demand. China has relatively small copper reserves, yet has the greatest copper demand globally, so it relies on copper imports to meet that demand. Demand for copper in China and the U.S. plays a major role in global price determination. Global consumption of refined copper has increased annually, and there continues to be a shortage of supply. The COVID-19 pandemic did not change this trend. However, we believe that the substantial increase in copper price in 2021 was attributable not only to the traditional supply and demand relationship but also to the fact that copper can be used to finance trade. During 2021, the price of copper was strong and volatile, which was very representative of the continued commodity boom. The SHFE copper price exhibited a strong upward trend in the first half of the year and fluctuated at high levels in the second half. The SHFE copper price reached an annual low of CNY56,860 (US\$8,944) per ton in early February 2021, before it increased sharply and hit a ten-year high of CNY78,270 (US\$12,312) per ton in mid-May 2021. The closing price at the end of 2021 was CNY70,380 (US\$11,071) per ton, representing an increase of approximately 21.9% compared with the opening price at the beginning of the year.

The following table shows the world refined production and world demand of copper over the past five years:

	2017	2018	2019	2020	2021
World refined production (in thousands of tons)	23,518	23,808	23,929	24,427	24,807
World demand (in thousands of tons)	23,701	24,221	24,326	25,033	25,214
China's refined production (in thousands of tons)	8,889	8,949	9,447	10,021	10,487
China's demand (in thousands of tons)	11,790	12,482	12,800	14,527	—
LME average price (US\$/ton)	7,264	5,965	6,174	7,766	9,721
SHFE average price (CNY/ton)	55,740	48,170	49,280	57,970	70,120

Source: International Copper Study Group, World Bureau of Metal Statistics, LME, SHFE, Wind Economic Database.

Overview of Bayannaer Mining

Bayannaer Mining was established in 2005 to engage in mineral exploration activities in Bayannaer City, located in the Inner Mongolia Autonomous Region of the PRC. The registered capital of Bayannaer Mining is CNY59.48 million.

In 2005, Bayannaer Mining obtained 11 exploration rights from the Land and Resources Department of Inner Mongolia Autonomous Region. Following completion of preliminary exploration activities and evaluation, management determined to retain exploration rights solely to the Moruogu Tong Mine; and, to date, has received a series of license renewals. Total exploration expenses related to these 11 exploration rights (exclusive of capitalized expenses that have not yet fully depreciated or amortized and administrative expenses) borne by Bayannaer Mining incurred to date amount to approximately CNY35.60 million (US\$5.60 million). The current exploration permit for the Moruogu Tong Mine runs until September 2026 and covers a site area of 7.81 square kilometers.

The Moruogu Tong Mine is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. In 2006, Bayannaer Mining engaged the Land and Resources Exploration and Development Institute of Inner Mongolia to carry out prospecting, including geophysical and drilling works. To date, exploration expenses of approximately CNY23.54 million (US\$3.70 million), inclusive of amounts paid by Jijincheng Mining, have been incurred for the Moruogu Tong Mine, which were paid for by Bayannaer Mining with self-owned capital, loans from a related party, and funds received pursuant to its Cooperation Agreement with Jijincheng Mining of approximately CNY6.72 million (US\$1.06 million).

Pursuant to the Cooperation Agreement, Jijincheng Mining is responsible for engaging the exploration team for the northern part of Moruogu Tong Mine and providing the required funding. During the field exploration process, Bayannaer Mining did not have its own exploration equipment. The exploration equipment – drilling machines – used at the Moruogu Tong Mine was provided and operated by third-party contractors until drilling work was done. Drilling machines at the mine were mainly powered by a diesel generator set, and a state power substation near the mine area. To date, the exploration program at the northern part of Moruogu Tong Mine has primarily involved the completion of mine geological surveying and mapping at 1:2000 covering an area of 3.22 square kilometers, which included trenching exploration works totaling 2,291.88 cubic meters in 16 trenches and 76 drilling holes (of which 55 predate the Collaboration Agreement) for a total of 22,272.86 meters. 1,641 different samples, including basic analysis samples, chemical analysis samples, spectra samples and aqueous analysis samples, etc., have been collected thus far during the exploration program.

Initial results of the northern part exploration program indicate the presence of lead and silver, with the prospect that further surveying and exploration may indicate the presence of other ores such as copper. During 2021, activities at the Moruogu Tong Mine included the taking of five additional basic analysis samples and ten additional combined analysis samples; in addition, the exploration report was completed and approved by the government. The report reviews the geology of the mine and the previous exploration work, and evaluates the resources of 13 ore bodies in the mine, which are confirmed to contain lead and silver. At this stage of exploratory activities, we cannot predict whether sufficient ore of acceptable quality will be found at the Moruogu Tong Mine to warrant further exploration and/or extraction.

The current exploration work stage of the northern part of Moruogu Tong Mine has been completed. The future amount for the exploration project, including drilling expenses, site construction costs, grassland compensation fees and simple infrastructure construction costs in order to apply for a mining rights permit, is anticipated to be approximately CNY11.38 million (US\$1.79 million). Bayannaer Mining and Jijincheng Mining intend to seek other investors to play roles similar to those of Jijincheng Mining in order to proceed with the further exploration and analysis of the northern part of Moruogu Tong Mine, with an aim to apply for a mining rights permit. This exploration project is expected to be financed by funds received pursuant to the Cooperation Agreement and/or any new or similar cooperation agreement, and loans from a related party. While the results of preliminary prospecting suggest that the northern part of Moruogu Tong Mine contains mineable quantities of lead and silver, until further exploration and analysis is completed, the Company cannot predict the nature and extent of minerals contained at the mine or the commercial viability of pursuing a plan of extraction. It is possible that further exploration and analysis will not confirm initial findings and that continued activities in furtherance of mining operations will cease.

Exploration conducted in 2013 revealed geochemical anomalies associated with nickel and gold in the southern part of Moruogu Tong Mine but did not indicate any concentration. No exploration work has been carried out since 2013 in the southern part of the mine area with nickel and gold anomalies. Bayannaer Mining plans to accelerate exploration progress and increase capital expenditures by another six drilling holes of 600 meters deep with an expected initial investment of CNY2.16 million in the southern part of the Moruogu Tong Mine to continue to explore the presence of nickel and other minerals.

Moruogu Tong Mine

The Moruogu Tong Mine is a concealed deposit or an underground mine, with minimum depth of about 40 meters below ground.

The main outcrop strata in and around the mine area are the third lithological member of Agulugou Formation of Zhaertaishan Group in the middle and upper Proterozoic, followed by the quaternary Holocene strata. There is no magmatic rock in the exploration area, and Permian granodiorite is found locally. In addition, gabbro dike, diabase dike and quartz dike are found in the area. The geotectonic location of the mine area is in the north wing of the Wolf Mountain anticline, with frequent tectonic activities and multiple periods of magma intrusion. The strata of the mine area are damaged by transformation, and the fold structure is not complete. The outcrop strata in the mine area are relatively simple, which are a monoclinical structure with a northeast-to-southwest strike and a southeastern tilt.

The Moruogu Tong Mine is located in the fault bundle of the Huogeqi dome at the north wing of the Haorige Mountain syncline. Monoclinical structures predominates and the strike is north-eastern. The lead ore (mineralized) bodies are produced in the third lithological member of Agulugou Formation, where quartzite and quartz schist with strong silicification are the main host rocks. The ore bodies are distributed in an area of 3,000 meters long from east to west and 1,000 meters wide from south to north, and 14 lead ore bodies have been delineated with orebody numbers of I-1, I-2, II-1, II-2, II-3, III, IV-1, IV-2, IV-3, IV-4, IV-5, IV-6, IV-7, and V.

The Moruogu Tong Mine is mainly a lead deposit associated with silver. The ore bodies occur in certain strata, whose genetic type belongs to air-exhaled sedimentary type, with lead deposit then transformed by hydrothermal process. The ore mineral compositions mainly include galena, sphalerite, pyrite, chalcocopyrite, arsenopyrite and gangue mineral quartz, calcite, and mica, etc. The depth of the oxidized zone and mixed zone in this mine area is about 15 meters below ground. The primary zone is below 15 meters underground. The lead ore bodies delineated in this deposit are all in the primary zone, and the natural type of the ore is primary lead sulfide ore. The main useful constituent of this deposit is lead, with associated useful constituent of silver, so it is classified as lead and silver deposit.

The key industrial indicators of the deposit are as follows:

- Cutoff grade: Pb?0.3%;
- Minimum industrial grade: Pb?0.7%;
- Minimum minable thickness: ?1.0m;
- Average grade of deposit: Pb ?1.81%;
- Band rejected thickness: ?2m;
- When the orebody thickness is less than the minable thickness and the grade is high, meter percentage can be used as an indicator: Pb?0.70 meter percentage; and
- Industrial grade of associated useful constituent: Ag?2g/t.

Cooperation Agreement

On August 20, 2017, Bayannaer Mining entered into the Cooperation Agreement with Jijincheng Mining, an unrelated third party. The Cooperation Agreement is intended to provide for financial support by Jijincheng Mining for the exploration and operating expenses of the northern part of Moruogu Tong Mine during the exploration stage such that Bayannaer Mining is not required to make any further capital contribution for exploration activities, and for the allocation of rights and responsibilities between Bayannaer Mining and Jijincheng Mining. According to the Cooperation Agreement, Jijincheng Mining is also responsible for engaging the exploration team and directing their activities. Pursuant to the Cooperation Agreement: (i) Bayannaer Mining contributed the existing exploration results for the northern part of Moruogu Tong Mine; (ii) Jijincheng Mining provides the necessary funds for further exploration at the mine; (iii) Bayannaer Mining enjoys full rights to any resources already discovered and confirmed by its independent exploration works conducted prior to commencement of the cooperative exploration project; (iv) Bayannaer Mining and Jijincheng Mining will each receive a 50% interest in any newly discovered resources from the first 10 drilling holes in the cooperative exploration project; and (v) Bayannaer Mining and Jijincheng Mining will receive 30% and 70% interests, respectively, in any newly discovered resources from drilling works beyond the first 10 drilling holes in the cooperative exploration project. Other details of the Cooperation Agreement, including allocations and distributions upon completion of exploration works, remain the subject of continuing discussion between the parties. To date, the total exploration expenses paid by Jijincheng Mining amount to approximately CNY6.72 million (US\$1.06 million).

The foregoing description of the Cooperation Agreement is only a summary and is qualified in its entirety by reference to the Cooperation Agreement, a copy of which has been translated into English and incorporated by reference as Exhibit 4.5 to this Annual Report.

Geography

The following map shows the geography of Bayannaer Mining’s exploration site and its surrounding areas:



The Moruogu Tong Mine of Bayannaer Mining is located in Wulatehouqi, Bayannaer City, in the Inner Mongolia Autonomous Region of the PRC. The mine is approximately 45 kilometers to Chaogewenduer Town and 40 kilometers to Qingshan Town. The Qingxian Road passes through the southern part of the mine and transportation is very convenient. Connectivity to water, electric and other necessary services will be addressed at the time of mine construction and development. The current exploration permit for the Moruogu Tong Mine runs from September 14, 2021, to September 13, 2026, and covers a site area of 7.81 square kilometers.

Government Regulation of Mineral Exploration Activities

Under the “Mineral Resources Law,” all mineral resources in the PRC are owned by the state. Exploration and mining rights granted by the state permit recipients to conduct exploration or mining activities in a specific mining area during the specified license period. Although Bayannaer Mining believes its exploration licenses will continue to be renewed as necessary, there can be no assurance that such will be the case or that Bayannaer Mining will be able to obtain a mining license in the future and exploit the entire mineral resources of the Moruogu Tong Mine during its license period. If Bayannaer Mining fails to renew its exploration rights upon expiry or if it cannot obtain a mining license and effectively extract the resources within the license period, the operation and performance of Bayannaer Mining will be adversely affected.

Bayannaer Mining’s exploration permit entitles it to undertake exploration activities in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Bayannaer Mining is required to complete a prospecting report and a final appraisal and file with the relevant government authority before it can apply for mining rights and proceed to mine construction. A mining rights permit entitles the holder to undertake mining activities and infrastructure and ancillary work, in compliance with applicable laws and regulations, within the specific area covered by the license during the license period. Entities seeking mining rights are also obligated to pay natural resources fees in relation to sales of metal concentrates.

The State Administration for Environmental Protection is responsible for the supervision of environmental protection in, the implementation of national standards for environmental quality and discharge of pollutants for, and the supervision of the environmental management system of the PRC. Environmental protection bureaus at the county level or above are responsible for environmental protection within their jurisdictions.

The laws and regulations governing environmental protection require each applicant to lodge environmental impact statements for a construction project with the environmental protection bureaus. These statements must be filed prior to the commencement of construction, expansion or modification of a project. The environmental protection bureaus inspect new production facilities and determine compliance with applicable environmental standards, prior to the commencement of operations.

The “Environmental Protection Law” requires all operations that may cause pollution or produce other hazards to take environmental protection measures and to establish an environmental protection responsibility system. Such system includes the adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. Enterprises, institutions and other manufacturing operators subject to pollutant discharge permit administration shall discharge pollutants pursuant to the requirements of the pollutant discharge permit; discharge of pollutants shall not be allowed without a pollutant discharge permit. Pollutant-discharging enterprises, institutions and other manufacturing operators shall pay sewage fees pursuant to the relevant provisions.

If an enterprise violates the provisions of the law in discharging pollutants without obtaining a pollutant discharge permit, and refuse to stop discharging pollutants when being ordered to do so, the competent department of ecology and environment shall order it to make rectifications, restrict production or suspend production for rectification, and impose a fine; where the circumstance is serious, the said department shall report the case to the government with the approval authority for approval, and order the enterprise to suspend business or close down. Enterprises that have polluted and endangered the environment are responsible for remedying the danger and effects of the pollution, as well as for the payment of compensation for any losses or damages suffered as a result of such environmental pollution. A material violation of the Environmental Protection Law that causes a material loss to public and private belongings or personal injuries or death may result in criminal liabilities.

Management believes that Bayannaer Mining is in material compliance with all applicable environmental protection requirements of the state.

Copper Trading Activities

Please see the discussion under “Item 4.A. INFORMATION ON THE COMPANY — History and Development of the Company — Copper Ore Trading” above for a description of our copper ore trading activities. In 2019 and 2020, we traded copper ore, and enjoyed related revenues of approximately CNY12.97 million and approximately CNY6.87 million, respectively. We have discontinued our copper ore trading activities. Our copper ore trading activities were not affected by seasonality. The business registration certificate of Bayannaer Mining permits trading activity. There are no other special regulations with regard to copper trading in the PRC.

Government Regulations on Overseas Offering and Listing

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

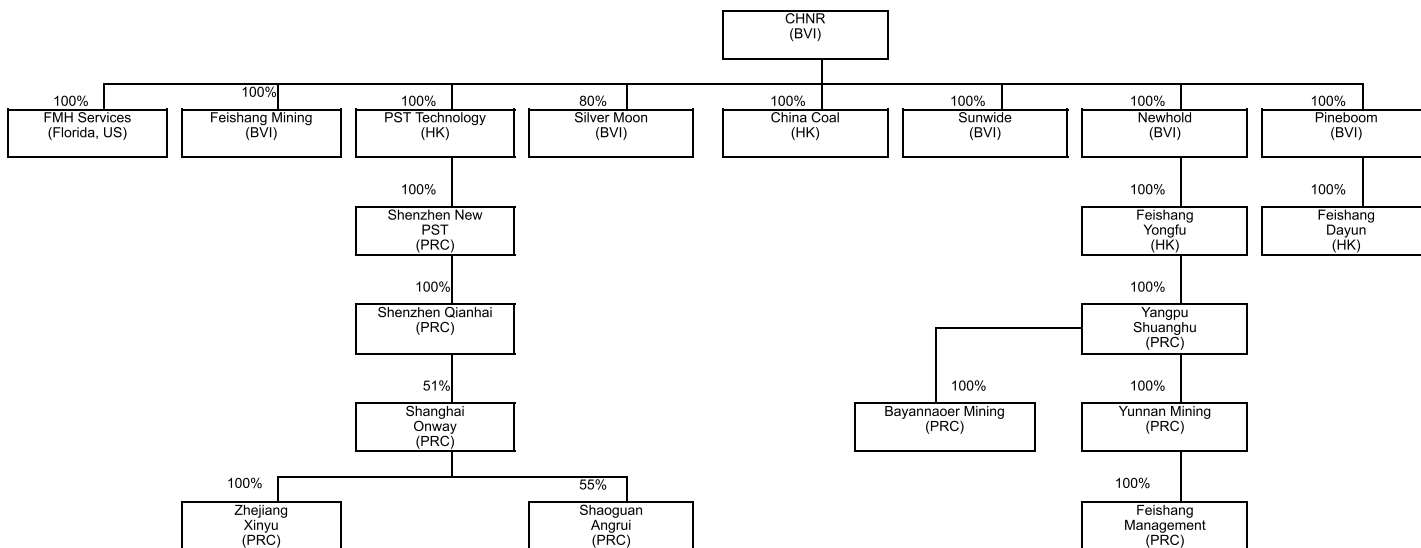
On December 27, 2021, the NDRC and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments. According to the Draft Provisions and the Draft Administration Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a "substance over form" basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if there are material ownership disputes over the equity, major assets, and core technology, etc., of the issuer; (iv) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (v) if, in past three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; and (vi) other circumstances as prescribed by the State Council.

According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to a follow-on offering within three business days after completion of the follow-on offering, (iii) with respect to a follow-on offering for purposes of acquiring specific assets, within three business days after the first public announcement of the transaction, and (iv) with respect to listing by means of reverse takeover, share swap, acquisition and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as case may be. Non-compliance with the Draft Administration Measures or an overseas listing completed in breach of Draft Administration Measures may result in a warning on the relevant domestic companies or a fine of one to 10 million RMB on them. If the circumstances are serious, they may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors, and senior executives of the domestic enterprises may be warned, or fined between 500,000 and 5 million RMB either individually or collectively.

C. Organizational Structure

CHNR is a holding company directly or indirectly owning the following subsidiaries, to the extent indicated (as of March 31, 2022):



All current operations are conducted by Bayannaer Mining and Shanghai Onway, and its subsidiaries Zhejiang Xinyu and Shaoguan Angrui. See “Item 4.B. INFORMATION ON THE COMPANY – Business Overview.”

Feishang Management

Feishang Management was incorporated in the PRC in October 2008. It is a wholly owned subsidiary of Yunnan Mining and is engaged in providing management and consulting services to the other companies in the Group. Feishang Management currently serves as a cost center for the Group.

Inactive Subsidiaries

The following subsidiaries are not currently engaged in active operations but remain in good standing in their home jurisdictions and are poised to participate in future opportunities, should they arise:

China Coal

China Coal was incorporated in Hong Kong in January 2008. It is a wholly owned subsidiary of CHNR.

Feishang Dayun

Feishang Dayun was incorporated in Hong Kong in June 2008. It is a wholly owned subsidiary of Pineboom.

Feishang Mining

Feishang Mining was incorporated in the BVI in September 2004. It is a wholly owned subsidiary of CHNR.

Feishang Yongfu

Feishang Yongfu was incorporated in Hong Kong in June 2008. It is a wholly owned subsidiary of Newhold.

FMH Services

FMH Services is a Florida company incorporated in November 2007 in connection with a proposed transaction that was not consummated. FMH Services, which is wholly owned by CHNR, is currently dormant.

Newhold

Newhold was incorporated in the BVI in July 2008. It is a wholly owned subsidiary of CHNR.

Pineboom

Pineboom was incorporated in the BVI in May 2008. It is a wholly owned subsidiary of CHNR.

PST Technology

PST Technology was incorporated in Hong Kong in January 2018. It is a wholly owned subsidiary of CHNR.

Shenzhen New PST

Shenzhen New PST was incorporated in the PRC in March 2018. It is a wholly owned subsidiary of PST Technology.

Shenzhen Qianhai

Shenzhen Qianhai was incorporated in the PRC in January 2015. It is a wholly owned subsidiary of Shenzhen New PST.

Silver Moon

Silver Moon is a BVI company incorporated in March 2000. Silver Moon, which is 80% owned by CHNR, is currently dormant.

Sunwide

Sunwide was incorporated in the BVI in January 2001. Sunwide, which is a wholly owned subsidiary of CHNR, is currently dormant.

Yangpu Shuanghu

Yangpu Shuanghu was incorporated in the PRC in May 2004. It is a wholly owned subsidiary of Feishang Yongfu.

Yunnan Mining

Yunnan Mining was incorporated in the PRC in June 2007. It is a wholly owned subsidiary of Yangpu Shuanghu.

D. Property, Plant and Equipment

The Company's administrative offices and its principal subsidiaries are located in Hong Kong, Shenzhen (Guangdong province), Shanghai and Bayannaer City (Inner Mongolia Autonomous Region) in the PRC.

On April 1, 2017, the Company signed an office sharing agreement with Anka Consultants Ltd. ("Anka"), a related party, which superseded all previously signed agreements between the parties, pursuant to which the Company shares 184 square meters of the total area of the office premises. The agreement also provides that the Company shares certain costs and expenses in connection with its use of the office, in addition to certain accounting and secretarial services and day-to-day office administration services provided by Anka. Anka's current lease with the unrelated landlord is for two years, from July 1, 2020, to June 30, 2022. For the years ended December 31, 2019, 2020 and 2021, the Company paid its share of rental expenses and rates to Anka amounting to approximately CNY1,105,000, CNY930,000 and CNY752,650 (US\$118,418), respectively.

On January 1, 2018, Feishang Management signed an office sharing agreement with Feishang Enterprise. On October 1, 2021, Feishang Management signed a new contract with Feishang Enterprise, which will expire on September 30, 2022. Pursuant to the agreement, Feishang Management shared 40 square meters of the office premises, and annual rent was CNY165,600, CNY165,600 and CNY165,600 (US\$26,055) for the years ended December 31, 2019, 2020 and 2021, respectively.

Shanghai Onway

The offices of Shanghai Onway are headquartered in Shanghai City, while the offices of its subsidiaries Zhejiang Xinyu and Shaoguan Angrui are located in Huzhou City of Zhejiang Province and Shaoguan City of Guangdong Province, respectively, in the PRC. The property, plant and equipment of Shanghai Onway mainly includes vehicles, office and electronic equipment, and furniture, with a total net value as of December 31, 2021, of approximately CNY0.63 million (US\$0.10 million).

On November 1, 2020, Shanghai Onway signed lease agreements with a third-party landlord pursuant to which Shanghai Onway leases office premises located at Rooms 201, 202, 204, 205, 207, 208 and 209, #1 Building, Lianhua Nan Road, Minhang District in Shanghai City. The office covers an area of 661.85 square meters for a lease term of five years, expiring on October 31, 2025.

On November 1, 2020, Zhejiang Xinyu signed lease agreements with a third-party landlord pursuant to which Zhejiang Xinyu leases office premises located at Room 1201, A2 Building, 6 Block, #666 Nanlin Zhong Road, Nanxun District, Huzhou City of Zhejiang Province in the PRC. The office covers an area of 219.7 square meters for a lease term of two years, expiring on October 31, 2022.

On May 1, 2018, Shaoguan Angrui signed lease agreements with a private individual pursuant to which Shaoguan Angrui leases a building located at #28 Cunnan Village, Xihe Town, Wujiang District, Shaoguan City of Guangdong Province in the PRC as office premises. The lease has a term of one year with annual rent of CNY72,000 (US\$11,328), and may be renewed annually on demand.

Bayannaer Mining

The offices and exploration site of Bayannaer Mining are located in Bayannaer City, Inner Mongolia Autonomous Region in the PRC. The property, plant and equipment of Bayannaer Mining mainly includes buildings, vehicles, office equipment and furniture, with a total net value as of December 31, 2021, of approximately CNY0.09 million (US\$0.01 million). On May 11, 2021, Bayannaer Mining signed an annual lease agreement with private individuals pursuant to which Bayannaer Mining leases office premises located at 10/F, Huao Building, Shengli North Road in Bayannaer City. The office covers an area of 186 square, and annual rent is CNY55,800 (US\$8,779).

The Moruogu Tong Mine exploration site is located in Northwestern Qingshan Town, Wulatehouqi in Bayannaer City and covers an area of approximately 7.81 square kilometers. As is typical in the PRC, the PRC government owns all of the land on which the exploration activities are carried out. Bayannaer Mining assumed the rights to use the land when it obtained the exploration right from the Land and Resources Department of Inner Mongolia Autonomous Region in 2005. We are still in the exploration stage of mining the Moruogu Tong Mine, and have not yet produced any silver, lead or copper. To date, the exploration program has indicated the presence of lead and silver, with the prospect that further surveying and exploration may indicate the presence of other ores such as copper. For the location of the Moruogu Tong Mine, please refer to the map located in “Item 4.B. INFORMATION ON THE COMPANY — Business Overview — Metal Exploration Activities – Geography” above.

In the event we determine to pursue a mining permit and thereafter engage in mining at the Moruogu Tong Mine, we will be required, among other things, to construct and develop the mine, including roads and making provision for water and electricity at the mine site. There will be significant capital expense for these and other projects. We intend to fund those capital expenditures from the proceeds of loans from our Related-Party Debtholders, if available, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings.

See “Item 4.B. INFORMATION ON THE COMPANY – Business Overview – Government Regulation of Mineral Exploration Activities,” above, for a discussion of environmental laws affecting the Moruogu Tong Mine.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of the results of operations and the Company’s financial position should be read in conjunction with the audited consolidated financial statements and accompanying notes included elsewhere herein. The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB. This section contains certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guarantees of our future performance or results and our actual results could materially differ from those disclosed in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in “Item 3.D. KEY INFORMATION – Risk Factors.”

A. Operating Results

Overview

The Company is currently engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC and PPP projects in relation to rural wastewater treatment, and the provision of related consulting and professional technical services. In addition, we are engaged in metals exploration and mining activities in Inner Mongolia Autonomous Region of the PRC, including exploring for lead, silver and other nonferrous metal.

The Company's rural wastewater treatment operations were acquired through the acquisition in July 2021 of PST Technology, which acquisition was a common control transaction. Accordingly, prior periods have been adjusted as if PST Technology was part of the Company during such periods.

Revenue

Revenue primarily consists of revenue from construction contracts, operation and maintenance services, operation services for the Wujiang Project, which we refer to as the "service concession arrangement," sales of water treatment equipment, and sales of copper ores. The sale of copper ores was ceased by Bayannaor Mining in the second half of 2020 due to the volatile fluctuations of copper's price.

The following table sets forth the principal components of our revenue for the periods indicated:

	Amounts in thousands			
	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		
Wastewater treatment				
Sales of water treatment equipment	2,275	—	—	—
Construction contract revenue	37,773	7,665	12,203	1,920
Operation and maintenance services	3,245	3,561	183	29
EPC projects subtotal	<u>43,293</u>	<u>11,226</u>	<u>12,386</u>	<u>1,949</u>
Operation services of service concession arrangement	2,295	2,295	5,953	937
Construction services of service concession arrangement	88,622	22,110	396	62
PPP project (or the Wujiang Project) subtotal	<u>90,917</u>	<u>24,405</u>	<u>6,349</u>	<u>999</u>
Exploration and mining				
Sales of copper ores	12,969	6,867	—	—
Total	<u>147,179</u>	<u>42,498</u>	<u>18,735</u>	<u>2,948</u>

Cost of Sales

Cost of sales primarily consists of the purchase of inventories in relation to copper trading activities, and costs relating to the construction of water treatment facilities, such as raw materials, spare parts, consumables, and outsourced costs charged by subcontractors.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of business development expenses, payroll, travel expenses and related expenses for employees involved in selling and distribution activities.

Administrative Expenses

Administrative expenses primarily consist of salaries and staff welfare expenses, professional service fees, travel and entertainment expenses, depreciation and amortization, and other general corporate function related expenses.

Other Operating Income/(Loss)

Other operating income/(loss) primarily consists of government grants and tax refunds, and other non-operating income or expenses.

Fair Value Gain/(Loss)

Fair value gain or loss represents the net changes in fair value of the 120 million shares of FARL held by the Company from August 17, 2020 until their disposition on July 27, 2021, and the net changes in fair value of warrants issued to investors on January 20, 2021.

Impairment Loss on Financial Assets

Impairment loss on financial assets represents the allowance provided by the Company for expected credit losses on trade receivables. Please see Notes 15 and 16 to the audited consolidated financial statements herein for further information.

Impairment Loss on Intangible Assets

Impairment loss on intangible assets represents impairment charges recognized by the Company according to the result of annual impairment tests for long-lived assets.

Impairment Loss on Goodwill

Impairment loss on goodwill represents impairment charges recognized by the Company to goodwill arising from the acquisition of wastewater treatment business on June 30, 2017.

Finance Costs

Finance costs consist primarily of interest expense on loans and borrowings.

Finance Income

Finance income consists primarily of interest income on loans to related parties and a third party, and interest income derived from revenue contracts and service concession arrangement with significant financing component, which arise under IFRS due to the imputed credit terms attendant to the delayed payment terms we offer our customers. Imputed finance income under our service concession arrangement is recognized on an accrual basis using the effective interest rate times the net carrying amount of the financial asset we recognize in connection with the service concession arrangement. See “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions” for further information regarding loans to and from related parties.

Income Tax Benefit/(Expense)

The Company is not subject to taxes in the United States.

Under the current laws of the BVI, dividends and capital gains arising from the Company’s investments in the BVI are not subject to income taxes and no withholding tax is imposed on payments of dividends to the Company.

The Company’s subsidiaries in Hong Kong are subject to Hong Kong profits tax rate of 16.5%, while foreign-derived income is exempted from income tax. There is no withholding tax in Hong Kong on the remittance of dividends.

The Company’s subsidiaries in the PRC are subject to a PRC enterprise income tax rate of 25% applicable to both foreign invested enterprises and domestic companies. Shanghai Onway was subject to tax at a preferential tax rate of 12.5% for the years ended December 31, 2019 and 2020, and subject to a tax rate of 25% for the year ended December 31, 2021 and thereafter. Shaoguan Angrui was fully exempted from income tax according to the PRC corporate income tax laws and related regulations for the years ended December 31, 2019, 2020 and 2021. Shaoguan Angrui will enjoy a preferential tax rate of 12.5% for the years ended December 31, 2022, 2023 and 2024, and will be subject to a tax rate of 25% thereafter.

Results of Operations

The following table sets out our consolidated results of operations for the periods indicated:

	Amounts in thousands, except per share data			
	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		
Consolidated Statements of Profit or Loss Data				
Revenue	147,179	42,498	18,735	2,948
Cost of sales	(132,141)	(39,215)	(18,494)	(2,910)
Gross profit	15,038	3,283	241	38
Selling and distribution expenses	(828)	(758)	(922)	(145)
Administrative expenses	(19,904)	(18,853)	(22,869)	(3,598)
Other income/(loss)	1,431	1,616	(183)	(29)
OPERATING LOSS	(4,263)	(14,712)	(23,733)	(3,734)
Fair value gain/(loss) on financial instruments, net	—	31,334	(38,349)	(6,034)
Impairment losses on financial assets	(9,367)	(4,162)	(3,330)	(524)
Impairment loss on intangible assets	(16,662)	—	—	—
Impairment loss on goodwill	(31,478)	—	—	—
Finance costs	(340)	(3,749)	(4,359)	(686)
Finance income	12,808	15,468	16,935	2,665
(LOSS)/PROFIT BEFORE INCOME TAX	(49,302)	24,179	(52,836)	(8,313)
Income tax benefit/(expense)	1,374	(1,258)	(2,135)	(336)
(LOSS)/PROFIT FOR THE YEAR	(47,928)	22,921	(54,971)	(8,649)
ATTRIBUTABLE TO:				
Owners of the Company	(43,042)	24,336	(48,152)	(7,576)
Non-controlling interests	(4,886)	(1,415)	(6,819)	(1,073)
	(47,928)	22,921	(54,971)	(8,649)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:				
Basic and diluted				
- (Loss)/earnings per share	(1.54)	0.78	(1.18)	(0.19)

Years Ended December 31, 2021 and 2020

The Company restated the comparative financial statements for the year ended December 31, 2020 to account for a common control transaction (the acquisition of PST Technology) using the pooling of interest method.

Revenue. Revenue decreased by CNY23.76 million (US\$3.74 million) from CNY42.50 million for the year ended December 31, 2020 to CNY18.74 million (US\$2.95 million) for the year ended December 31, 2021. The decrease in revenues was mainly caused by the completion of the construction phase of the Wujiang Project in January 2021, and no more revenue recognition from the related construction services thereafter as well as the cessation of copper ore trading in the second half of 2020 due to the volatile fluctuations of copper's price.

Cost of sales. Cost of sales decreased by CNY20.73 million (US\$3.26 million) from CNY39.22 million for the year ended December 31, 2020 to CNY18.49 million (US\$2.91 million) for the year ended December 31, 2021. This decrease was mainly caused by the completion of the construction phase of the Wujiang Project in January 2021.

Selling and Distribution Expenses. Selling and distribution expenses increased by CNY0.16 million (US\$0.03 million) from CNY0.76 million for the year ended December 31, 2020 to CNY0.92 million (US\$0.15 million) for the year ended December 31, 2021. The increase was mainly due to strengthened business development efforts in 2021.

Administrative Expenses. Administrative expenses increased by CNY4.02 million (US\$0.63 million) from CNY18.85 million for the year ended December 31, 2020 to CNY22.87 million (US\$3.60 million) for the year ended December 31, 2021. The increase was mainly caused by professional service fees related to the Company's private placement in January 2021 and the acquisition of PST Technology in July 2021.

Other Income/(Loss). Other income/(loss) decreased by CNY1.80 million (US\$0.28 million) from CNY1.62 million of income for the year ended December 31, 2020 to CNY0.18 million (US\$0.03 million) of loss for the year ended December 31, 2021. The decrease was caused by a drop in government grants and tax refunds.

Fair Value Gain/(Loss) on financial instruments, net. Fair value gain/(loss) on financial instruments, net decreased by CNY69.68 million (US\$10.96 million) from CNY31.33 million of gain for the year ended December 31, 2020 to CNY38.35 million (US\$6.03 million) of loss for the year ended December 31, 2021. The decrease was caused by the fluctuation of fair values of the Company's outstanding warrants and the FARL shares.

Impairment Losses on Financial Assets. Impairment losses on financial assets decreased by CNY0.83 million (US\$0.13 million) from CNY4.16 million for the year ended December 31, 2020 to CNY3.33 million (US\$0.52 million) for the year ended December 31, 2021. The decrease was because the amount of trade receivables generated in prior years and collected in 2021 exceeded the amount of trade receivables generated in 2021 due to the lower revenue in 2021.

Finance Costs. Finance costs increased by CNY0.61 million (US\$0.10 million) from CNY3.75 million for the year ended December 31, 2020 to CNY4.36 million (US\$0.69 million) for the year ended December 31, 2021. This was due to interest expense from the bank loan that we took out in connection with the Wujiang Project (described in greater detail below) no longer being capitalized into the Company's intangible assets relating to its rights under the service concession arrangement in 2021 as a result of the completion of construction of the Wujiang Project.

Finance Income. Finance income increased by CNY1.47 million (US\$0.23 million) from CNY15.47 million for the year ended December 31, 2020 to CNY16.94 million (US\$2.67 million) for the year ended December 31, 2021. Factors contributing to this increase included the rise of interest income from the service concession arrangement relating to a financing component which arose due to a guaranteed 28-year long collection period for construction services for the Wujiang Project. As the construction phase of Wujiang Project was completed and put into service in January 2021, both revenue from the operation services of the service concession arrangement and interest income from the service concession arrangement increased accordingly.

Income Tax Benefit/(Expense). Income tax expense increased by CNY0.88 million (US\$0.14 million) from CNY1.26 million for the year ended December 31, 2020 to CNY2.14 million (US\$0.34 million) for the year ended December 31, 2021. The increase was caused by the combined effects of the reversal of a prior withholding enterprise income tax payable amounting to CNY6.59 million in 2020 and a deferred tax expense arising from taxable temporary differences in 2021.

Net Loss. As a result of the foregoing, our net loss increased by CNY77.89 million (US\$12.25 million) from net profits of CNY22.92 million for the year ended December 31, 2020, to a net loss of CNY54.97 million (US\$8.65 million) for the year ended December 31, 2021.

Years Ended December 31, 2020 and 2019

The Company restated the comparative financial statements for the years ended December 31, 2020 and 2019 to account for a common control transaction (the acquisition of PST Technology) using the pooling of interest method.

Revenue. Revenue decreased by CNY104.68 million from CNY147.18 million for the year ended December 31, 2019 to CNY42.50 million for the year ended December 31, 2020. The decrease in revenues was primarily due to the bulk of the construction phase of the Wujiang Project being completed in 2019, leading to more revenue from construction services being recognized in 2019. In addition, the breakout of COVID-19 pandemic in 2020 also negatively affected business development and construction contract revenue.

Cost of sales. Cost of sales decreased by CNY92.92 million from CNY132.14 million for the year ended December 31, 2019 to CNY39.22 million for the year ended December 31, 2020. The drop was due to the decrease in the amount of construction activity relating to the Wujiang Project in 2020 compared to 2019.

Selling and Distribution Expenses. Selling and distribution expenses decreased by CNY0.07 million from CNY0.83 million for the year ended December 31, 2019 to CNY0.76 million for the year ended December 31, 2020.

Administrative Expenses. Administrative expenses decreased by CNY1.05 million from CNY19.90 million for the year ended December 31, 2019 to CNY18.85 million for the year ended December 31, 2020. The decrease was caused by the drop in salaries and bonuses in 2020 as a result of decreased headcount in 2020 compared to 2019.

Other Income/(Loss). Other income/(loss) increased by CNY0.19 million from CNY1.43 million of income for the year ended December 31, 2019 to CNY1.62 million for the year ended December 31, 2020.

Fair Value Gain/(Loss) on financial instruments, net. Fair value gain on financial instruments, net increased by CNY31.33 million from nil for the year ended December 31, 2019 to CNY31.33 million for the year ended December 31, 2020. The increase was caused by the fair value change of the 120 million shares of FARL that the Company received in 2020.

Impairment Losses on Financial Assets. Impairment losses on financial assets decreased by CNY5.21 million from CNY9.37 million for the year ended December 31, 2019 to CNY4.16 million for the year ended December 31, 2020. This was due to a decrease of in the amount of receivables expected to be uncollectible in 2020 compared to 2019, driven by lower revenues in 2020.

Impairment Losses on Intangible Assets. Impairment losses on intangible assets decreased from CNY16.66 million for the year ended December 31, 2019 to nil for the year ended December 31, 2020. This was due to the impairment of intangible assets in 2019 associated with the wastewater treatment business in view of less optimistic earnings forecasts, driven by the expectation that business volume and profitability would decline due to regional market saturation.

Impairment Loss on Goodwill. Impairment loss on goodwill decreased by CNY31.48 million from CNY31.48 million for the year ended December 31, 2019 to nil for the year ended December 31, 2020. This was due to the full impairment in 2019 of the goodwill associated with the wastewater treatment business in view of less optimistic earnings forecasts, driven by the expectation that business volume and profitability would decline due to regional market saturation.

Finance Costs. Finance costs increased by CNY3.41 million from CNY0.34 million for the year ended December 31, 2019 to CNY3.75 million for the year ended December 31, 2020. This was caused by the draw of a CNY80 million secured term loan (the “Bank Loan”) from the Bank of Communications in 2020, at an annual interest rate of 5.05%.

Finance Income. Finance income increased by CNY2.66 million from CNY12.81 million for the year ended December 31, 2019 to CNY15.47 million for the year ended December 31, 2020. This was mainly caused by the increase of interest income from the service concession arrangement.

Income Tax Benefit/(Expense). Income tax expense increased by CNY2.63 million from CNY1.37 million of income tax benefit for the year ended December 31, 2019 to CNY1.26 million of income tax expense for the year ended December 31, 2020. The increase of income tax expense was due to the combined effects of (i) taxable profits in 2020 compared with taxable loss in 2019; (ii) reversal of a prior withholding enterprise income tax payable amounting to CNY6.59 million in 2020; and (iii) CNY4.43 million of deferred tax benefit being recognized in 2019 due to the impairment of intangible assets.

Net Profit. As a result of the foregoing, our net profits increased by CNY70.85 million from net loss of CNY47.93 million for the year ended December 31, 2019, to net profits of CNY22.92 million for the year ended December 31, 2020.

Impact of Government Policies on the Company’s Operations

In response to the outbreak of COVID-19, the PRC government took a slew of unprecedented measures intended to control its spread, including quarantines, restrictions on travel and public gatherings, and temporary closure of certain businesses and facilities. These policies significantly affected our operations by restricting the movement of our employees, affecting our supply chains, disrupting the exploratory activities in our Moruogu Tong Mine and the rural wastewater treatment activities by Shanghai Onway, and causing significant price fluctuations in various markets. Also, large-scale quarantines and travel restrictions from time to time could lead to a slowdown in the general economy and the markets we intend to serve. There remains uncertainty on how long these impacts will last and whether they will escalate in the future. For further details of the impact on our operations of governmental policies in response to COVID-19, please refer to “Item 3.D. KEY INFORMATION – Risk Factors – Risks Relating to the Ongoing COVID-19 Pandemic – COVID-19 has disrupted our operations, and may further disrupt our operations or adversely affect our operations and financial position in the future, and may exacerbate the various other Risk Factors that we face,” and “— Trend Information”.

Our rural wastewater treatment business is highly dependent upon national and local government policies. In recent years, the PRC government has put an increasing emphasis on environmental protection and has introduced various policies to increase the awareness and support the development of environmental protection in China, especially in the rural areas, after the development of the industry had already been relatively mature in the urban areas. Demand for Shanghai Onway's products and services, as well as that in the environmental protection industry in general, is largely driven by government policies. Many of Shanghai Onway's customers are local governments, who have been investing heavily in environmental protection and prevention of water and air pollution. Shanghai Onway stands to benefit from the great potential and rapid development of the industry, but any unforeseen changes in future government policies could considerably alter the market dynamics of the industry and adversely affect our operations. If, for example, future policies substantially raise the discharge standards or alter any other technical specifications, Shanghai Onway may not be able to comply with those standards with its current technologies and may be forced to cease operations if it fails to achieve technological advancement.

Our metals exploration activities are subject to government regulations in various aspects, and our failure to comply with applicable government regulations could adversely affect our operations and subject us to fines and other penalties including suspension or termination of our business permits.

B. Liquidity and Capital Resources

The Company's primary liquidity needs are to fund operating expenses, capital expenditures and acquisitions. As of December 31, 2021, the Company financed its working capital requirements and capital expenditures through internally generated cash from prior years, our Bank Loan, non-interest-bearing loans from the Related-Party Debtholders, funds provided pursuant to the Cooperation Agreement, and the sale of 3,960,000 common shares and associated warrants to purchase up to 1,980,000 common shares at an offering price of US\$1.85 per share in January 2021. See "Item 10.C. ADDITIONAL INFORMATION – Material Contracts." In view of the operating loss of the wastewater treatment business and the pre-revenue exploration stage of the Moruogu Tong Mine, the Company expects that the availability of internally generated funds to sustain operations will decrease for the foreseeable future. Although we believe that our working capital is sufficient for our present requirements and to continue our current operations over the next 12 months, as we intend to explore other business opportunities in the PRC and to diversify our operations as we move into our next phase of growth, we envisage engaging in further capital-raising activities.

We have received letters from Feishang Group and Feishang Enterprise, entities controlled by Mr. Li Feilie, the principal beneficial shareholder of the Company, which state that Feishang Group and Feishang Enterprise will provide continuous financial support to the Group in relation to the going concern of its operations, and will not recall any amounts due to them until the Group has sufficient liquidity to finance its operations, and that Feishang Enterprise will pay debts on behalf of the Group when needed. As such, we believe that we will be able to obtain adequate amounts of cash to meet our requirements beyond the next 12 months.

The revenue and expenses of our PRC subsidiaries are denominated in Renminbi. We pay our corporate expenses in either Hong Kong dollars or U.S. Dollars. The conversion of Renminbi into other currencies is strictly regulated by the PRC government. See "Item 3.D. – KEY INFORMATION – Risk Factors" and "Item 10.D. ADDITIONAL INFORMATION – Exchange Controls" for discussion of exchange controls in the PRC.

As of December 31, 2021, the breakdown of cash (in thousands) held in different currencies is as follows:

<u>Currency and Amount</u>	<u>CNY Equivalent</u>	<u>US\$ Equivalent</u>
CNY37,333	37,333	5,874
HK\$1,245	1,015	160
US\$3,148	20,011	3,148
Total	<u>58,359</u>	<u>9,182</u>

The Company expects to maintain a balanced portfolio of foreign currencies in order to meet its cash obligations in different currencies for its expenses, capital expenditures and acquisitions. Management does not anticipate the payment of dividends or any similar profit distribution from the Company's PRC subsidiaries in the foreseeable future.

Cash Flows

The following table sets forth the Company's cash flows for each of the three years ended December 31, 2019, 2020, and 2021:

	Years Ended December 31,		
	2019	2020	2021
	CNY'000	CNY'000	CNY'000
Cash and cash equivalents at beginning of year	49,396	59,398	56,580
Net cash used in operating activities	(30,340)	(46,526)	(12,068)
Net cash (used in)/from investing activities	(2,453)	(5,168)	53,352
Net cash from/(used in) financing activities	42,822	48,595	(38,786)
Net increase/(decrease) in cash and cash equivalents	10,029	(3,099)	2,498
Effect of exchange rate changes on cash	(27)	281	(719)
Cash and cash equivalents at end of year	<u>59,398</u>	<u>56,580</u>	<u>58,359</u>

Operating Activities

Net cash used in operating activities was CNY12.07 million (US\$1.90 million) in 2021, compared to CNY46.53 million in 2020. The decrease of cash outflows from operations in 2021 was mainly attributable to more trade payables and liabilities being paid in 2020 as the Wujiang Project and most of our EPC projects were completed in 2020 and the outstanding payables are due for settlement at a later date, leading to less payments in 2021.

Net cash used in operating activities was CNY46.53 million in 2020, compared to of CNY30.34 million in 2019. The increase of cash outflows in 2020 was mainly attributable to more trade payables and liabilities being paid in 2020 as the Wujiang Project and most of EPC projects had been completed in 2020 and the outstanding payables were due for settlement at a later date.

Investing Activities

Net cash from investing activities was CNY53.35 million (US\$8.40 million) in 2021, compared to net cash used in investing activities of CNY5.17 million in 2020. The increase of cash inflows in 2021 mainly represents repayments from Xizang Xingwang, a related party, of an unsecured, non-interest bearing loan extended by Shenzhen Qianhai, our wholly owned subsidiary. Please see "Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Balances with Related Parties" for further information.

Net cash used in investing activities was CNY5.17 million in 2020, compared to CNY2.45 million in 2019. The increase of cash outflows in 2020 was primarily due to higher level of capital expenditures relating to the Wujiang Project in 2020.

Financing Activities

Net cash used in financing activities was CNY38.79 million (US\$6.10 million) in 2021, compared to net cash from financing activities of CNY48.60 million in 2020. The increase in cash used in financing activities was a result of net repayments to related parties, which were partially offset by the proceeds from our registered public offering of common shares and concurrent private placement of warrants in January 2021. Please see "Item 10.C. ADDITIONAL INFORMATION – Material Contracts" for further details.

Net cash flows from financing activities were CNY48.60 million in 2020, compared to CNY42.82 million in 2019. The increase of cash from financing activities was primarily due to the Bank Loan. We drew CNY30.0 million under the Bank Loan in 2019, and CNY50.0 million in 2020.

Equity Financing

On January 20, 2021, we raised approximately US\$6.37 million in net proceeds through our registered direct offering of common shares and private placement of warrants after deducting placement agent's fees and other fees and expenses. See "Item 10.C. ADDITIONAL INFORMATION – Material Contracts."

Bank Loan

We entered into the CNY80.0 million facility on August 29, 2019 and drew down CNY30.0 million in September 2019 and CNY50.0 million in January 2020, respectively, under the terms of the Bank Loan. The proceeds of the Bank Loan were used for the construction of wastewater treatment infrastructure in villages and towns in the Wujiang Project. The annual interest rate of our Bank Loan is fixed at 5.05%. The Bank Loan is secured by certain rights and receivables related to the Wujiang Project, a pledge by Shanghai Onway and the non-local government investors in Shaoguan Angrui of their collective 80% equity interests in Shaoguan Angrui, and guaranteed by Feishang Enterprise and Shanghai Onway, who are primarily liable for amounts due under the Bank Loan. In addition to customary covenants, the Bank Loan includes provisions, among others, regarding the ongoing proper functioning of the Wujiang Project. The outstanding balance of the Bank Loan is due in equal annual instalments: of CNY3.0 million until December of 2023; CNY4.0 million from 2024 to 2028; CNY5.0 million from 2029 to 2034; CNY6.0 million at 2035; and CNY5.0 million from 2036 to 2038, when the Bank Loan matures.

Other Receivables

On June 30, 2021, Shenzhen Qianhai signed a loan agreement with Shenzhen Chaopeng Investment Co., Limited (“Shenzhen Chaopeng”), pursuant to which Shenzhen Chaopeng borrowed CNY80.0 million from Shenzhen Qianhai with an annual interest rate of 9% and a term of one year. Upon the expiration of the loan, the principal and interest shall be repaid in a lump sum. The loan is guaranteed by Shenzhen Feishang Investment Co., Limited, which is a wholly owned subsidiary of Shenzhen Chaopeng. The ultimate beneficial owner of Shenzhen Chaopeng is Zhang Jian, an unrelated individual.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2021:

	Payments due by period				
	Total	Within 1 year	1 to 3 years	3 to 5 years	Thereafter
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Lease liabilities	2,401	1,047	1,014	340	—
Long-term debt obligations, including current portion	113,813	6,882	14,295	14,497	78,139
	<u>116,214</u>	<u>7,929</u>	<u>15,309</u>	<u>14,837</u>	<u>78,139</u>

Other Known Contractual and Other Obligations

Please refer to “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions” for a discussion of amounts due to and from our affiliates.

Except as disclosed above and discussed under “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of FARL Shares in Exchange for Newly Issued Company Shares” and “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of PST Technology,” there have been no significant changes in the Company’s financial condition and liquidity during the years ended December 31, 2019, 2020 and 2021.

Under the Cooperation Agreement, Jijincheng Mining, rather than the Company, is the party to any contracts relating to exploratory work relating to the northern part of Moruogu Tong Mine. In the event we determine to pursue a mining permit and thereafter engage in mining at the Moruogu Tong Mine, we will be required, among other things, for mine construction and development, to build roads and make provision for water and electricity at the mine site. There will be significant capital expense for these and other projects. We intend to fund those capital expenditures from the proceeds of loans from our Related-Party Debtholders, if available, payments pursuant to the Cooperation Agreement and, to the extent deemed necessary, bank borrowings.

C. Research and Development, Patents and Licenses, Etc.

The Company did not make any significant expenditures on Company-sponsored research and development activities during each of the last three fiscal years. Please refer to “Item 4.B. – INFORMATION OF THE COMPANY – Business Overview” for the details of the Group’s current patents.

D. Trend Information

We believe that the following factors which impact our various revenue and expense items (as described below) have had, and will continue to have, a significant effect on the development of our business, financial position and results of operation.

In July 2021, the Company entered into environmental protection business through acquisition of a 51% equity interest in Shanghai Onway, a PRC company which is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC and PPP projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services. In recent years, the PRC environmental protection industry has grown quickly. Shanghai Onway stands to benefit from the great market potential and an increasing number of government policies in support of the industry development. However, the larger market has also attracted a large number of new participants, which has resulted in increasingly intense market competition. Shanghai Onway’s current proprietary biological filtration technology and integrated processes are highly competitive, but potentially more advanced technologies developed by other competitors in the future or stricter standards brought by future government policies may adversely affect Shanghai Onway’s ability to operate profitably. The Company is implementing efforts to streamline operations and reduce costs, but these efforts may not be successful.

Our rural wastewater treatment business is highly dependent upon national and local government policies. Any unforeseen changes in future government policies could considerably alter the market dynamics of the industry and adversely affect our ability to further undertake projects and generate revenues. Competition may also adversely affect our ability to secure and undertake projects on a profitable basis.

Our exploration and mining operations are highly speculative due to the high-risk nature of our exploration and mining business, which may include the acquisition, financing, exploration, and development of mineral properties and operation of mines. There is no assurance that our current or future exploration programs at the Moruogu Tong Mine or any future acquisitions will result in the identification of deposits that can be mined profitably. The economic viability of a mining project may be adversely affected by many factors, including failure to identify sufficient ore reserves, reduced recovery rates, a rise in production costs as a result of inflation or other technical problems, and significant price fluctuations in the commodities markets. In addition, the fact that the northern part of Moruogu Tong Mine is currently being explored under a Cooperation Agreement means that our share in any future profits from mineral extraction at the mine is effectively reduced, the details of which are still subject to negotiation. We currently do not generate revenues from our exploration and mining operations, and we will have to fund exploration expenses until we are able to generate sufficient revenue to pay them.

During 2021, the major economies were all on track for recovery and achieved different levels of economic growth. This, combined with massive quantitative easing, led to a strong and even overheated commodity market worldwide. However, the ongoing COVID-19 pandemic continued to cause economic and financial disruptions around the world. Our business operations, including the rural wastewater treatment business of Shanghai Onway and the exploration activities at the northern part of Moruogu Tong Mine, were adversely affected due to travel restrictions and temporary restraints on our operations, as well as highly volatile commodity demand and prices. Monetary policies of major economies also had and will continue to have significant impacts on the commodity markets. For further details on the impact of the COVID-19 pandemic, please refer to “Item 3.D. KEY INFORMATION – Risk Factors – Risks Relating to Our Mine Exploration Activities in Inner Mongolia – Volatility in the market prices of metals may adversely affect the results of our operations,” “Item 3.D. KEY INFORMATION – Risk Factors – Risks Relating to the Ongoing COVID-19 Pandemic – COVID-19 has disrupted our operations, may further disrupt our operations or adversely affect our operations and financial position in the future, and may exacerbate the various other Risk Factors that we face,” and “Item 5.A. OPERATING AND FINANCIAL REVIEW AND PROSPECTS – Operating Results – Impact of Government Policies on the Company’s Operations.”

The ongoing COVID-19 pandemic continues to adversely affect our operations by causing disruptions to market demand and supply chains, restricting employee movement, and causing significant price fluctuations. This has increased our operating costs and could negatively affect our ability to generate revenues. From February through April 2022, due to a resurgence of the pandemic in Shenzhen, Shanghai and other cities, some of the Company’s personnel were quarantined at home and were unable to return to work at the Company’s offices. Accordingly, our operations were severely disrupted by COVID-19 and efforts to contain it. Additionally, during this period, a resurgence of the pandemic in Shanghai and other cities affected our materials transportation and caused the inability of construction personnel to arrive at the site, and several construction projects were delayed and our market expansion was also affected. These factors will lead to a significant reduction in our revenue in the first quarter of 2022. As a result of the major uncertainties caused by the ongoing COVID-19 pandemic, our reported financial results may not necessarily be indicative of our future prospects and results of operations. The pandemic, or geopolitical tensions such as the current conflict between Russia and Ukraine, could also exacerbate many other risks associated with our operations.

Other than as disclosed above and elsewhere in this annual report, the Company does not believe that there have been any other recent known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company’s revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

E. Critical Accounting Estimates

Not applicable.

New IFRS Pronouncements

For a detailed discussion of new accounting pronouncements, please see Notes 2.4 and 2.5 to our audited consolidated financial statements.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**A. Directors and Senior Management****Executive Officers and Directors**

The following table identifies the current directors and executive officers of the Company, and sets forth their ages and positions with the Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Wong Wah On Edward	58	Chairman of the Board of Directors, President and Chief Executive Officer
Tam Cheuk Ho	59	Director
Zhu Youyi	41	Chief Financial Officer and Corporate Secretary
Zou Yu	43	Vice President
Peng Wenlie	54	Vice President
Lam Kwan Sing	52	Non-employee Director
Ng Kin Sing	59	Non-employee Director
Yip Wing Hang	55	Non-employee Director
Li Feilie	56	Director of Subsidiaries

Mr. Wong Wah On Edward was appointed as a director in April 2015, and as Chairman of the Board of Directors, President and Chief Executive Officer in August 2016. Mr. Wong has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from January 1999 to January 2014, as its financial controller from December 2004 to January 2008, as its secretary from February 1999 to January 2014, and as its chief financial officer from January 2008 to January 2014. Mr. Wong is a co-owner and has been principally employed as a director of Anka, a privately held company, since April 2008. Mr. Wong has also served as an independent non-executive director of Quali-Smart Holdings Limited, a company listed in Hong Kong since September 2015. He received a professional diploma in Company Secretaryship and Administration from the Hong Kong Polytechnic University. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Chartered Secretaries. He is also a certified public accountant (practicing) in Hong Kong.

Mr. Tam Cheuk Ho was appointed as a director in April 2015. Mr. Tam has served as the director of Feishang Anthracite since February 2013. He served as a director of the Company from December 1993 to December 1994 and from December 1997 to January 2014. He was also the Chief Financial Officer and Executive Vice President of the Company, from December 2004 to January 2008, and from January 2008 to January 2014, respectively. Mr. Tam is also a director and co-owner of Anka. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a certified public accountant (practicing) in Hong Kong. He holds a Bachelor of Business Administration degree from the Chinese University of Hong Kong.

Mr. Zhu Youyi joined the Company in 2009 and has served the Company for over 10 years with various roles in accounting, internal audit and compliance functions. He was appointed as Chief Financial Officer and Corporate Secretary in July 2020. Prior to joining the Company, Mr. Zhu worked at the audit department of an international certified public accountant firm, providing audit services to clients in a variety of business sectors. Mr. Zhu holds a bachelor's degree in Accountancy from Southwestern University of Finance and Economics, and is a member of the Chinese Institute of Certified Public Accountants.

Mr. Zou Yu joined the Company as a Vice President in October 2020. From March 2015 to September 2020, Mr. Zou served as the general manager of the investment management center of Feishang Enterprise, where he was responsible for mergers and acquisitions in the healthcare sector involving projects aggregating approximately CNY800 million. From May 2011 to May 2014, he served as assistant to the chairman and the head of the business development department of Shanghai American-Sino Medical Group, where he was in charge of the investment in and operation of premier private hospitals. Mr. Zou has also worked with several private equity funds. Mr. Zou has more than 10 years of experience working and investing in the healthcare sector, and has participated in projects involving acquisitions, mergers and divestments with an aggregate value exceeding CNY3 billion. Mr. Zou graduated from Sun Yat-Sen University in June 2007, with a Master of Business Administration degree. He also holds a bachelor's degree in Economics from the Tianjin University of Commerce.

Dr. Peng Wenlie joined the Company as a Vice President in March 2021. Dr. Peng has been engaged in the development of natural medicines and investment consulting for more than 20 years. He currently serves as Chairman of the Board of Shanghai Onway, as director of Guangxi Huaxia Herbal Medicine Co. Ltd., and as director of Guangxi Huaxia Herbal Medicine Sales Co. Ltd. He previously served as Director of the Biomedicine Investment Department of Feishang Enterprise. While at Feishang Enterprise, Dr. Peng led the selection of target companies for investment in the biomedical space, conducting due diligence and appraising risks and returns as part of the investment decisions. Earlier in his career, Dr. Peng was a professor in the Life Sciences School of Sun Yat-Sen University. He was awarded a Doctor of Science degree from Sun Yat-Sen University in 1999 and a Master of Science degree in 1996.

Mr. Lam Kwan Sing has been a non-employee director and a member of CHNR's Audit Committee and Nominating and Governance committee since December 2004, and a member of its Compensation Committee since November 2007. Mr. Lam has been an independent non-executive director of Summit Ascent Holdings Limited, a Hong Kong listed company, since June 2019. From November 2016 to the present, Mr. Lam has been the chief executive officer and executive director of SFund International Holdings Ltd., a Hong Kong listed company. He is also an independent non-executive director of Aceso Life Science Group Limited (formerly known as Hao Tian Development Group Limited), a Hong Kong listed company, since August 2012. From August 2010 to August 2017, Mr. Lam was the executive director of China Smarter Energy Group Holdings Limited, a Hong Kong listed company, where he was responsible for corporate development. Mr. Lam holds a bachelor's degree in Accountancy from the City University of Hong Kong.

Mr. Ng Kin Sing has been a non-employee director and a member of CHNR's Audit Committee and Nominating and Governance Committee since December 2004, and a member of its Compensation Committee since November 2007. From March 2012 to present, Mr. Ng has been the director of Sky Innovation Limited, a private investment company. Mr. Ng holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong.

Mr. Yip Wing Hang has been a non-employee director and a member of CHNR's Audit Committee and Nominating and Governance Committee since June 2006, and a member of its Compensation Committee since November 2007. From January 2018 to the present, Mr. Yip has been the senior director of Winsome Asset Management Ltd., where he is responsible for managing high-net-worth clients' assets on a discretionary basis. Mr. Yip has served as adjunct associate professor at the Institute of China Business, the University of Hong Kong SPACE since 2013. From October 2010 to December 2017, Mr. Yip was the marketing director of Athena Financial Services Limited where he was responsible for the sale and distribution of financial products. Mr. Yip holds a master's degree in Sustainability from the University of Cambridge and a master's degree in Accounting and Finance from the Lancaster University, United Kingdom. He is also a Chartered Banker in the United Kingdom.

Mr. Li Feilie served as a director, Chief Executive Officer and Chairman of the Board of CHNR from February 2006 to August 2016. He currently serves as director of Feishang Mining, Newhold, Pineboom, China Coal, Feishang Dayun, Feishang Yongfu and FMH Services, each of which is a subsidiary of CHNR. While Mr. Li is not an officer or director of the Company, he ultimately controls the Company through his services as an officer and/or director of certain of the Company's subsidiaries, his beneficial ownership of the Company's shares, his ability to elect the Board of Directors and his direct ownership of a substantial amount of Company debt. In addition to his directorships, Mr. Li provides strategic guidance relating to the various businesses in which he and his controlled companies invest. Through his related companies, Mr. Li also provides funding to support the Company's operating expenses and indirectly holds a substantial amount of the Company's debt (see "Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions," below). Mr. Li has been the chairman of Feishang Enterprise, Wuhu City Feishang Industrial Co., Ltd. and Wuhu Feishang Port Co., Ltd., companies beneficially owned by him, since June 2000, from December 2001 to July 2011 and since October 2002, respectively. Mr. Li graduated from Peking University with a bachelor's degree and a master's degree in Economics.

Key Employees

The following table identifies the senior management of Shanghai Onway and Bayannaer Mining, and their ages and positions:

Name	Age	Position
Ma Xiongbing	46	General Manager of Shanghai Onway
Yu Jun	54	General Manager of Bayannaer Mining
Yao Yangli	57	Deputy Chief Engineer of Bayannaer Mining

Mr. Ma Xiongbing was appointed as general manager of Shanghai Onway in May 2017. Mr. Ma has over 20 years of experience in general administration and finance. Prior to joining Shanghai Onway, he served as general manager of Shanghai Angwei Eco-Environment Engineering Co., Ltd. Mr. Ma graduated from Wuhan Military School of Economics with a bachelor's degree in 1998.

Mr. Yu Jun was appointed as general manager of Bayannaer Mining in January 2015. He has served as finance manager and chief financial officer of Bayannaer Mining since 2005. Mr. Yu has over 25 years of experience in corporate finance. Prior to joining Bayannaer Mining, he served in the positions of finance manager and financial controller of several companies including subsidiary companies of Sichuan University. Mr. Yu graduated from the University of Electronic Science and Technology of China in 1989 and was awarded a bachelor's degree from Southwestern University of Finance and Economics in 2004.

Mr. Yao Yangli was appointed as deputy chief engineer of Bayannaer Mining in charge of exploration work in April 2012. Mr. Yao has almost 30 years of experience in mineral exploration. Prior to joining Bayannaer Mining, he served as chief geological prospecting engineer, exploration project leader and chief engineer in several companies. Mr. Yao has been appointed as distinguished geologist consultant for the Land and Resources Department of Bayannaer Municipal Government since 2012. Mr. Yao graduated from Guilin College of Geology (now known as Guilin University of Technology) with a bachelor's degree in 1988 and holds a senior engineer accreditation.

Family Relationships and Other Arrangements

There are no family relationships between any of the individuals identified above. There are no arrangements or understandings between major shareholders, customers, suppliers or others pursuant to which any of the individuals identified above was selected as a director or member of senior management, other than the fact that each was elected by Mr. Li Feilie.

Board Diversity

On August 6, 2021, the SEC approved Nasdaq's proposal to amend its listing standards to encourage greater board diversity and to require board diversity disclosures for Nasdaq-listed companies. Pursuant to the amended listing standards, CHNR, as a foreign private issuer, is required to have at least one diverse board member or explain the reasons for not meeting this objective by 2023. Furthermore, a board diversity matrix is required to be included in a foreign private issuer's annual report on Form 20-F, containing certain demographic and other information regarding members of our board of directors. The board diversity matrix is set out below.

Board Diversity Matrix (As of May 17, 2022)

Country of Principal Executive Offices	Hong Kong
Foreign Private Issuer	Yes
Disclosure Prohibited under Home Country Law	No
Total Number of Directors	5

	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	0	5	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

B. Compensation

Executive Compensation

The following table sets forth the amount of compensation that was paid, earned and/or accrued and awards made under the Company’s equity compensation plan during the fiscal year ended December 31, 2021, to each of the individuals identified in “Item 6.A. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES – Directors and Senior Management” above.

Name	Compensation (US\$)	Number of options to purchase common shares	Exercise price (US\$/share)	Expiration date
Directors and Executive Officers				
Lam Kwan Sing	15,385	—	—	—
Li Feilie ¹	1	—	—	—
Ng Kin Sing	15,385	—	—	—
Peng Wenlie	1	—	—	—
Tam Cheuk Ho ²	1	—	—	—
Wong Wah On Edward ²	1	—	—	—
Yip Wing Hang	15,385	—	—	—
Zhu Youyi	31,703	—	—	—
Zou Yu	1	—	—	—
Key Employees				
Yu Jun	11,800	—	—	—
Yao Yangli	32,106	—	—	—
Ma Xiongbing	58,896	—	—	—

- 1 Mr. Li serves as director of certain subsidiaries of the Company. The amount does not include payments under an office sharing agreement pursuant to which Feishang Enterprise, a company controlled by Mr. Li, provides our subsidiary Feishang Management with certain shared office space (see “Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Commercial Transactions with Related Companies,” below).
- 2 The amounts do not include payments to Anka under an office sharing agreement pursuant to which Anka provides certain accounting, administrative and secretarial services to the Company (see “Item 7.B. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Commercial Transactions with Related Companies,” below). Anka is jointly owned by Messrs. Wong Wah On Edward and Tam Cheuk Ho.

On April 2, 2015, we entered into service agreements with Mr. Tam Cheuk Ho (a director) and Mr. Wong Wah On Edward (our Chairman, Chief Executive Officer and President). Each of the agreements is for an initial term of one year and, thereafter, continues unless and until terminated by either party on not less than one month’s notice. Each of the agreements also provides for the payment to the individual of an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

On March 7, 2019, we entered into an employment agreement with Mr. Yu Jun for his services as general manager of Bayannaer Mining for a term of one year expiring on March 6, 2020. The agreement was renewed on March 7, 2020, March 7, 2021, and March 7, 2022, respectively, with the same initial terms. For his services, Mr. Yu receives a basic salary at the rate of CNY5,000 (US\$787) per month, and is eligible for a bonus. Mr. Yu also enjoys certain perquisites and is eligible for bonuses. These amounts are included in the table above.

On April 23, 2019, we entered into an employment agreement with Mr. Yao Yangli for his services as deputy chief engineer of Bayannaer Mining for a term of one year expiring on April 22, 2020. The agreement was renewed on April 23, 2020, March 23, 2021, and March 23, 2022, respectively, with the same initial terms. For his services, Mr. Yao receives a basic salary at the rate of CNY14,666 (US\$2,307) per month, and is eligible for a bonus. Mr. Yao also enjoys certain perquisites and is eligible for bonuses. These amounts are included in the table above.

On January 1, 2019, we entered into an employment agreement with Mr. Ma Xiongbing for his services as general manager of Shanghai Onway for a term of five years expiring on December 31, 2024. For his services, Mr. Ma receives a basic salary at the rate of CNY31,200 (US\$4,908) per month. These amounts are included in the table above.

On July 14, 2020, we entered into a service agreement with Mr. Zhu Youyi (our Chief Financial Officer and Corporate Secretary). The agreement is for an initial term of one year and, thereafter, continues unless and until terminated by either party on not less than one month's notice. The agreement also provides for the payment of an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

On October 22, 2020, we entered into a service agreement with Mr. Zou Yu (Vice President). The agreement is for an initial term of one year and, thereafter, continues unless and until terminated by either party on not less than one month's notice. The agreement also provides for the payment of an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

On March 22, 2021, we entered into a service agreement with Dr. Peng Wenlie (Vice President). The agreement is for an initial term of one year and, thereafter, continues unless and until terminated by either party on not less than one month's notice. The agreement also provides for the payment of an annual fee of US\$1.00, plus such equity awards as may from time to time be determined by our Compensation Committee.

There are no current contracts, agreements or understandings to increase the annual cash compensation payable to any of our executive officers or directors. For each of the three years ended December 31, 2019, 2020 and 2021, no increases in cash compensation were determined by the Compensation Committee under the service agreements, and we paid or accrued nil, nil and nil, respectively, for cash compensation to our executive officers for their services as such.

The Company has no other employment contracts with any of its executive officers or directors and maintains no retirement, fringe benefit or similar plans for the benefit of its executive officers or directors. The Company may, however, enter into employment contracts with its officers and key employees, adopt various benefit plans and begin paying compensation to its officers and directors as it deems appropriate to attract and retain the services of such persons. The Company and its subsidiaries have not set aside or accrued any amounts to provide pension, retirement or similar benefits to the Company's directors.

Non-Employee Director Compensation

We pay our independent directors a monthly director's fee equal to HK\$10,000. We do not otherwise pay fees to directors for their attendance at meetings of the Board of Directors or of committees; however, we may adopt a policy of making such payments in the future. We reimburse out-of-pocket expenses incurred by directors in attending Board and committee meetings. During the fiscal year ended December 31, 2021, no long-term incentive plans or pension plans were in effect with respect to any of the Company's executive officers or directors.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information relating to our outstanding stock option plans as of December 31, 2021:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	—	N/A	8,189,616
2014 Equity Compensation Plan	—	N/A	—
Equity compensation plans not approved by security holders	—	N/A	—
Total	—	N/A	8,189,616

Stock Option Plan

The 2014 Equity Compensation Plan (the “2014 Plan”) was authorized by our Board of Directors on June 20, 2014, and was ratified and approved by members on July 21, 2014.

The purposes of the 2014 Plan are to:

- Encourage ownership of our common shares by our officers, directors, employees and advisors;
- Provide additional incentive for them to promote our success and our business; and
- Encourage them to remain in our employ by providing them with the opportunity to benefit from any appreciation of our common shares.

The 2014 Plan is administered by the Board of Directors or a committee designated by the Board (the “Plan Committee”). The 2014 Plan allows the Board or Plan Committee to grant various incentive equity awards not limited to stock options. The Company has reserved a number of common shares equal to 20% of the issued and outstanding common shares of the Company, from time to time, for issuance pursuant to options granted (“Plan Options”) or for restricted stock awarded (“Stock Grants”) under the 2014 Plan. Stock appreciation rights may be granted as a means of allowing participants to pay the exercise price of Plan Options. Stock Grants may be made upon such terms and conditions as the Board or Plan Committee determines. Stock Grants may include deferred stock awards under which receipt of Stock Grants is deferred, with vesting to occur upon such terms and conditions as the Board or Plan Committee determines.

The Board or Plan Committee may determine, from time to time, those of our officers, directors, employees and consultants to whom Stock Grants and Plan Options will be granted, the terms and provisions of the respective Stock Grants and Plan Options, the dates such Plan Options will become exercisable, the number of shares subject to each Plan Option, the purchase price of such shares and the form of payment of such purchase price. Plan Options and Stock Grants will be awarded based upon the fair market value of our common shares at the time of the award. All questions relating to the administration of the 2014 Plan and the interpretation of the provisions thereof are to be resolved at the sole discretion of the Board or Plan Committee.

A total of 8,189,616 common shares have been reserved for issuance under the 2014 Plan. No awards have yet been made under the 2014 Plan. The 2014 Plan terminates on June 19, 2024.

C. Board Practices

As provided by our Memorandum and Articles, each director is to hold office for a three-year term expiring immediately following the annual meeting of shareholders held three years following the annual meeting at which he or she was elected.

At the annual meeting of shareholders in 2021, Messrs. Lam Kwan Sing and Yip Wing Hang were elected to serve as Class II directors until immediately following the annual meeting to be held in 2024 and until their successors have been duly elected and qualified. Messrs. Wong Wah On Edward and Tam Cheuk Ho serve as Class III directors until immediately following the annual meeting to be held in 2022 and until their successors have been duly elected and qualified. Mr. Ng Kin Sing serves as Class I director until immediately following the annual meeting to be held in 2023 and until his successor has been duly elected and qualified.

Messrs. Lam Kwan Sing, Yip Wing Hang and Ng Kin Sing are each an “independent director” as such term is used in applicable rules and regulations of the SEC and in Nasdaq Marketplace Rule 5605(a)(2). We are not required to maintain a Board of Directors consisting of a majority of independent directors based upon an exemption from Nasdaq requirements applicable to foreign private issuers whose home jurisdiction does not require the board of directors to consist of a majority of independent directors.

Our officers are elected annually at the meeting of the Board of Directors following each annual meeting of shareholders, and hold office until their respective successors are duly elected and qualified, subject to their earlier death, resignation or removal, and the terms of applicable employment agreements.

Please see “Item 6.B. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES – Compensation – Executive Compensation,” above, for information regarding our service contracts with Messrs. Tam Cheuk Ho and Wong Wah On Edward.

Audit Committee

Our Board of Directors has established an Audit Committee that operates pursuant to a written charter. Our Audit Committee, whose members currently consist of Yip Wing Hang, Lam Kwan Sing and Ng Kin Sing, is principally responsible for ensuring the accuracy and effectiveness of the annual audit of the financial statements. The duties of the Audit Committee include, but are not limited to:

- Appointing and supervising our independent registered public accounting firm;
- Assessing the organization and scope of the company's interim audit function;
- Reviewing the scope of audits to be conducted, as well as the results thereof;
- Approving audit and non-audit services provided to us by our independent registered public accounting firm; and
- Overseeing our financial reporting activities, including our internal controls and procedures and the accounting standards and principles applied.

Each member of the Audit Committee is an "independent director," as such term is used in applicable rules and regulations of the SEC and in Nasdaq Marketplace Rule 5605(a)(2).

Nominating and Corporate Governance Committee; Shareholder Nominees for Director

Our Board of Directors has established a Nominating and Corporate Governance Committee that operates pursuant to a written charter. The current members of the Nominating and Corporate Governance Committee are Ng Kin Sing, Lam Kwan Sing and Yip Wing Hang. Each member of the Nominating and Corporate Governance Committee is an "independent director," as such term is used in Nasdaq Marketplace Rule 5605(a)(2).

The Nominating and Corporate Governance Committee is responsible for providing oversight on a broad range of issues surrounding the composition and operation of our Board of Directors. In particular, the responsibilities of the Nominating and Corporate Governance Committee include:

- Identifying individuals qualified to become members of the Board of Directors;
- Determining the slate of nominees to be recommended for election to the Board of Directors;
- Reviewing corporate governance principles applicable to us, including recommending corporate governance principles to the Board of Directors and administering our Code of Ethics;
- Assuring that at least one Audit Committee member is an "audit committee financial expert" within the meaning of regulatory requirements; and
- Carrying out such other duties and responsibilities as may be determined by the Board of Directors.

The Nominating and Corporate Governance Committee is required to meet at least once annually, and more frequently if the committee deems it to be appropriate. The committee may delegate authority to one or more members of the committee, provided that any decisions made pursuant to such delegated authority are presented to the full committee at its next scheduled meeting. Discussions pertaining to the nomination of directors are required to be held in executive session.

The Nominating and Corporate Governance Committee will consider candidates for directors proposed by shareholders, although no formal procedures for submitting the names of candidates for inclusion on management's slate of director nominees have been adopted. Until otherwise determined by the Nominating and Corporate Governance Committee, a member who wishes to submit the name of a candidate to be considered for inclusion on management's slate of nominees at the next annual meeting of shareholders must notify our Corporate Secretary, in writing, no later than June 30 of the year in question of its desire to submit the name of a director nominee for consideration. The written notice must include information about each proposed nominee, including name, age, business address, principal occupation, telephone number, shares beneficially owned and a statement describing why inclusion of the candidate would be in our best interests. The notice must also include the proposing member's name and address, as well as the number of shares beneficially owned. A statement from the candidate must also be furnished, indicating the candidate's desire and ability to serve as a director. Adherence to these procedures is a prerequisite to the Board's consideration of the shareholder's candidate. Once a candidate has been identified, the Nominating and Corporate Governance Committee reviews the individual's experience and background, and may discuss the proposed nominee with the source of the recommendation. If the Nominating and Corporate Governance Committee believes it to be appropriate, committee members may meet with the proposed nominee before making a final determination whether to include the proposed nominee as a member of management's slate of director nominees to be submitted for election to the Board.

Compensation Committee

Our Board of Directors has established a Compensation Committee that operates pursuant to a written charter. The current members of the Compensation Committee are Ng Kin Sing, Lam Kwan Sing and Yip Wing Hang. Each member of the Compensation Committee is an “independent director,” as such term is used in Nasdaq Marketplace Rule 5605(a)(2).

The Compensation Committee is responsible for:

- Formulating corporate goals and objectives relevant to compensation payable to the CEO and other executive officers;
- Evaluating the performance of the CEO and other executive officers in light of these goals and objectives;
- Recommending to the Board for its adoption and approval compensation payable to the CEO and other executive officers, including (a) annual base salary level, (b) annual incentive opportunity level, (c) long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreement/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits;
- Administering and supervising the Company’s incentive compensation plans, including equity compensation plans;
- Recommending to the Board for its adoption and approval awards to be made under the Company’s incentive compensation plans, including equity compensation plans; and
- Generally supporting the Board of Directors in carrying out its overall responsibilities relating to executive compensation.

The Compensation Committee is required to meet at least once annually, and more frequently if the committee deems it to be appropriate. The committee may delegate authority to one or more members of the committee; provided, that any decisions made pursuant to such delegated authority are promptly communicated to all other committee members. The committee’s current compensation decisions are reflective of our current financial position.

Nasdaq Requirements

Our common shares are currently listed on the Nasdaq Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by Nasdaq Stock Market as being applicable to listed companies. Nasdaq has adopted, and from time to time adopts, amendments to its Marketplace Rule 5600 that impose various corporate governance requirements on issuers of listed securities. Section (a)(3) of Marketplace Rule 5615 provides that foreign private issuers such as our company are required to comply with certain specific requirements of Marketplace Rule 5600, but, as to the balance of Marketplace Rule 5600, foreign private issuers are not required to comply if the laws of their home jurisdiction do not otherwise mandate compliance with the same or substantially similar requirement.

We currently comply with the applicable specifically mandated provisions of Marketplace Rule 5600. In addition, we have elected to voluntarily comply with certain other provisions of Marketplace Rule 5600, notwithstanding that our home jurisdiction does not mandate compliance with the same or substantially similar requirements; although we may in the future determine to cease voluntary compliance with those provisions of Marketplace Rule 5600 that are not mandatory. However, we have elected not to comply with the following provisions of Marketplace Rule 5600, since the laws of the BVI do not require compliance with the same or substantially similar requirements:

- A majority of our directors are not independent as defined by Nasdaq rules;
- Our independent directors do not hold regularly scheduled meetings in executive session (rather, all Board members may attend all meetings of the Board of Directors);
- The compensation of our executive officers is recommended but not determined by an independent committee of the Board or by the independent members of the Board of Directors; and our CEO is not prevented from being present in the deliberations concerning his compensation;
- Related party transactions are not required to be reviewed;
- We are not required to solicit member approval of stock plans or securities issuances, including those in which our officers or directors may participate; stock issuances that will result in a change in control; the issuance of our stock in related party acquisitions or other acquisitions in which we may issue 20% or more of our outstanding shares; or below market price issuances of 20% or more of our outstanding shares to any person; and
- We are not required to hold an in-person annual meeting to elect directors and transact other business customarily conducted at an annual meeting (rather, we complete these actions by written consent of holders of a majority of our voting securities).

We may in the future determine to voluntarily comply with one or more of the foregoing provisions of Marketplace Rule 5600.

D. Employees

As of the date of this Annual Report, we employed a total of 75 employees on a full-time basis consisting of (a) 66 employees engaged in rural wastewater treatment, (b) six employees engaged in metal exploration, and (c) three executive and administrative employees in corporate services. The Company believes that its relations with employees are generally good.

The following table sets out the number of employees as of December 31, 2019, 2020, and 2021, including their principal category of activity and geographic location.

		Years Ended December 31,		
		2019	2020	2021
Hong Kong	Accounting, administration and management	2	2	2
		<u>2</u>	<u>2</u>	<u>2</u>
The PRC	Accounting, administration and management (Shenzhen)	2	2	1
	Accounting, administration and management (Bayannaer)	4	4	4
	Accounting, administration and management (Shanghai Onway)	41	28	40
	Sales and purchasing	5	5	4
	Cashier	4	4	4
	Construction management	16	16	19
	Mining exploration	1	1	1
		<u>73</u>	<u>60</u>	<u>73</u>
Total		<u>75</u>	<u>62</u>	<u>75</u>

E. Share Ownership

The following table sets forth, as of April 29, 2022, the share ownership of the Company's common shares by each of the individuals disclosed in response to Item 6.B. of this Annual Report.

As of April 29, 2022, there were 40,948,082 common shares issued and outstanding. Unless otherwise indicated, each person has sole investment and voting power with respect to all shares shown as beneficially owned. The term "beneficial owner" of securities refers to any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership. These benefits include the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person also is considered to be the "beneficial owner" of securities that the person has the right to acquire within 60 days by option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest," which means the direct or indirect power to direct the management and policies of the entity. The Company's directors and executive officers, and Mr. Li Feilie, do not have different voting rights than other shareholders of the Company.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Class</u>
Li Feilie	26,857,759(1)	65.59%
Wong Wah On Edward	400,000	0.98%
Tam Cheuk Ho	281,926	0.69%
Lam Kwan Sing	—	—
Ma Xiongbing	—	—
Ng Kin Sing	—	—
Peng Wenlie	—	—
Yao Yangli	—	—
Yip Wing Hang	—	—
Yu Jun	—	—
Zhu Youyi	—	—
Zou Yu	—	—
Officers and directors as a group (12 persons)	<u>27,539,685</u>	<u>67.26%</u>

(1) Mr. Li is not an officer or director of CHNR but is an officer and/or director of certain of our subsidiaries, and ultimately controls the Company through his beneficial ownership of our shares, his ability to elect the Board of Directors and his ownership of a substantial amount of Company debt. This number consists of (a) 26,557,759 outstanding common shares held in the name of Feishang Group, a BVI corporation that is wholly owned by Mr. Li, and (b) 300,000 outstanding common shares held by Mr. Li.

Please refer to the discussion of our equity compensation plan and securities authorized for issuance thereunder under “Item 6.B. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES – Compensation – Securities Authorized for Issuance Under Equity Compensation Plans,” above.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Major Shareholders

Please refer to “Item 6.E. Directors, Senior Management and Employees—Share Ownership.”

Significant Changes in Ownership

In August 2020, we issued 9,077,166 common shares to Feishang Group, which is indirectly wholly owned by Mr. Li Feilie, our controlling shareholder, in exchange for 120 million shares of FARL held by Feishang Group. See “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of FARL Shares in Exchange for Newly Issued Company Shares.” In January 2021, we issued 3.96 million common shares in a registered offering, and concurrently privately placed warrants exercisable for up to 1.98 million common shares. See “Item 10.C. ADDITIONAL INFORMATION – Material Contracts.” In July 2021, we issued 3.0 million common shares, and transferred our 120 million shares of Feishang Anthracite, as well as approximately CNY10.3 million (US\$1.6 million), to Feishang Group in exchange for all outstanding shares of PST Technology and the transfer to us of approximately CNY130.0 million (US\$20.5 million) of PST Technology’s outstanding debt previously owed to Mr. Li Feilie. See “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of PST Technology.” As a result of this issuance, Mr. Li Feilie was the beneficial owner of 65.59% of our common shares. Other than the foregoing events, there have been no significant changes in the percentage of ownership held by the major shareholder during the past three years.

Geographic Breakdown of Shareholders

Based upon a review of our shareholder records as of April 29, 2022, on that date our common shares were held of record by approximately 174 persons, 154 of whom, holding approximately 27.25% of our outstanding common shares on that date, were located in the United States (host country). Shares registered in the name(s) of intermediaries were assumed to be held by residents of the same country in which the intermediary was located.

Control

To our knowledge (a) there are no arrangements the operation of which may, at a subsequent date, result in a change in control of the Company and (b) except as otherwise disclosed in this Annual Report, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly.

B. Related Party Transactions

As discussed above, we have received letters from Feishang Group and Feishang Enterprise, entities controlled by Mr. Li Feilie, the principal beneficial shareholder of the Company, both dated April 13, 2022 which state that Feishang Group and Feishang Enterprise will provide continuous financial support (in the form of interest-free loans) to us in relation to the going concern of our operations, including not recalling any amounts due to them until we are in a position to settle the amounts due without having a detrimental impact on our financial resources, and that Feishang Enterprise will pay debts on our behalf when needed. As far as the Company understands, there is no limitations on the amount, provision or duration of support from Feishang Group or Feishang Enterprise.

Feishang Enterprise and Feishang Group are each beneficially owned by Mr. Li Feilie, the principal beneficial owner of the Company, and members of his family. Mr. Li is also the former Chief Executive Officer and Chairman of the Company and currently serves as a director of certain subsidiaries of the Company. Mr. Wong Wah On Edward, the Chief Executive Officer and Chairman of the Company is also a director of certain affiliates of Feishang Group.

Acquisition of FARL Shares in Exchange for Newly Issued Company Shares

On August 17, 2020, the Company entered into a sale and purchase agreement with Feishang Group pursuant to which the Company issued 9,077,166 of the Company’s common shares, no par value, to Feishang Group, in exchange for 120 million shares of FARL, with an approximate aggregate value of HK\$87,522,000 (determined at a price of HK\$1.006 per share, representing the average closing price of FARL on the five trading days before August 17, 2020, adjusted for a 27.5% discount based on an independent valuation report). Feishang Group is the largest stockholder in the Company, and is wholly owned by Mr. Li Feilie, who also beneficially owns 53.53% of the outstanding equity of FARL.

Transfer of Equity Interests of Yangpu Lianzhong

On April 28, 2021, the Company's subsidiary China Coal entered into an equity transfer agreement to transfer 100% of the equity interests of Yangpu Lianzhong Mining Co., Limited ("Yangpu Lianzhong") to the Company's external related party, Shenzhen Feishang Energy Investment Co., Limited ("Feishang Energy"), for a total consideration of CNY103.767 million (US\$16.07 million). Rather than receiving cash as a result of this transaction, the consideration offset amounts due to Feishang Energy under a series of creditor right transfer agreements. Please see Note 28 of our audited consolidated financial statements for more information. Feishang Energy is a wholly owned subsidiary of Feishang Enterprise, which is controlled by our principal beneficial owner Mr. Li Feilie. Because of the transfer of the equity interests, Yangpu Lianzhong is no longer a subsidiary of the Company.

Acquisition of PST Technology

On July 27, 2021, the Company entered into the Sale and Purchase Agreement with Mr. Li Feilie pursuant to which the Company issued three million restricted shares of the Company's common shares, and transferred its 120 million shares of Feishang Anthracite, as well as approximately CNY10.3 million (US\$1.6 million), to Feishang Group in exchange for all outstanding shares of PST Technology Limited and the transfer to the Company of approximately CNY130.0 million (US\$20.5 million) of PST Technology's outstanding debt previously owed to Mr. Li, which debt was eliminated upon consolidation. PST Technology, through its wholly owned subsidiaries, owns a 51% equity interest in Shanghai Onway. Shanghai Onway is principally engaged in the development of rural wastewater treatment technologies, the provision of equipment and materials for rural wastewater treatment, undertaking EPC projects and PPP projects in relation to rural wastewater treatment, and the provision of consulting and professional technical services. The total value of the consideration that the Company provided to Mr. Li was approximately CNY104.1 million (US\$16.4 million), which amount was a 20% discount to the valuation (including the assigned debt) of PST Technology provided by an independent valuation firm.

Commercial Transactions with Related Companies

Commercial transactions with related companies are summarized as follows:

	Year Ended December 31,		
	2019	2020	2021
	CNY'000	CNY'000	CNY'000
Interest income received from Feishang Enterprise (1)	6,792	6,792	3,396
CHNR's share of office rental, rates and others to Anka (2)	1,506	1,368	1,343
Feishang Management's share of office rental to Feishang Enterprise (3)	166	166	166
Shenzhen New PST's share of office rental to Feishang Enterprise (4)	90	90	90

- (1) The Company's subsidiary, Shanghai Onway, entered into a series of contracts to provide a loan amounting to CNY80 million at interest rate of 9% per annum to Feishang Enterprise from March 2, 2018 to June 30, 2021. The amount displayed above is the amount of interest income actually received from Feishang Enterprise after value-added taxes.
- (2) The Company signed a contract with Anka to lease 184 square meters of office premises for 2 years, from July 1, 2018 to June 30, 2020, subsequently extended to June 30, 2022. The agreement also provides that the Company shares certain costs and expenses in connection with its use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration services provided by Anka. Costs presented here include both rent and services.
- (3) On January 1, 2018, Feishang Management signed an office sharing agreement with Feishang Enterprise. Pursuant to the agreement, Feishang Management shares 40 square meters of office premises for 33 months. Feishang Management signed a new contract with Feishang Enterprise in October 2021, which will expire on September 30, 2022.
- (4) Shenzhen New PST signed a contract with Feishang Enterprise to lease 96 square meters of office premises annually. The latest contract is from March 14, 2021 to March 13, 2022.

Balances with Related Parties

	As of December 31,		
	2019 CNY'000	2020 CNY'000	2021 CNY'000
<u>Receivables from related parties</u>			
Xizang Xingwang Investment Co. Ltd. (“Xizang Xingwang”) (1)(5)	44,448	44,668	—
Feishang Enterprise (1)(6)	79,229	79,225	—
<u>Payables to related parties</u>			
Feishang Enterprise (1)(2)	5,255	6,646	3,019
Feishang Group (1)(3)	7,097	7,149	14,050
Anka Capital Limited (“Anka Capital”) (4)	—	2,780	2,691
Shenzhen Qianhai Feishang Industrial Investment Co., Ltd. (“Qianhai Industrial”) (1)(7)	70,052	70,033	—
<u>Dividend payable to related parties</u>			
Qianhai Industrial (1)(8)	—	—	5,048
<u>Lease liabilities to related parties</u>			
Feishang Enterprise (1)(2)	287	—	—
Anka (4)	516	1,092	372

- (1) Feishang Enterprise, Feishang Group, Xizang Xingwang and Qianhai Industrial are entities controlled by Mr. Li Feilie, who is the principal beneficial owner of the Company.
- (2) The payable to Feishang Enterprise by Feishang Management represents the net amount of advances from Feishang Enterprise. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (3) The payable to Feishang Group represents the net amount of advances from Feishang Group. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (4) Anka Capital and Anka are each jointly owned by Messrs. Wong Wah On Edward and Tam Cheuk Ho, who are officers of the Company. The payable to Anka Capital by CHNR represents the net amount of advances from Anka Capital. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (5) The receivable due from Xizang Xingwang as of December 31, 2019 and 2020 represents an unsecured and interest-free loan amounting to CNY45.0 million provided by Shenzhen Qianhai. The corresponding expected credit loss allowance as of December 31, 2019 and 2020 was CNY552,000 and CNY332,000, respectively. Shenzhen Qianhai received full repayment of CNY 45.0 million from Xizang Xingwang on May 17, 2021.
- (6) The receivable due from Feishang Enterprise as of December 31, 2019 and 2020 represents a loan provided by the Group through Shanghai Onway with a principal amount of CNY80.0 million at interest rate of 9% per annum. The corresponding expected credit loss allowance as of December 31, 2019 and 2020 was CNY1,109,000 and CNY775,000, respectively. On July 1, 2021, Feishang Enterprise repaid the outstanding amount owed to the Group through Shenzhen Qianhai, the direct parent of Shanghai Onway.
- (7) The payable to Qianhai Industrial by Shenzhen Qianhai represents the net amount of advances from Qianhai Industrial. The balance is unsecured and interest-free. During the year ended December 31, 2021, Shenzhen Qianhai repaid CNY50.1 million in cash. The remaining indebtedness of CNY20.0 million was changed to indebtedness owed to the Company through the acquisition of PST Technology in July 2021.
- (8) The dividend payable to Qianhai Industrial represents the declared but unpaid dividend which was approved at the shareholder meeting of Shenzhen Qianhai on June 22, 2021, prior to the acquisition of Shenzhen Qianhai by the Group.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

The Company's audited consolidated financial statements filed as part of this Annual Report on Form 20-F are included herewith as Appendix A and are incorporated herein by reference.

Legal Proceedings

There are no legal or arbitration proceedings (including governmental proceedings pending or known to be contemplated), including those relating to bankruptcy, receivership or similar proceedings and those involving any third party, which may have, or have had in the recent past, significant effects on the Company's financial position or profitability. Moreover, there are no material proceedings in which any director, any member of senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

Dividend Policy

The Company has not paid any dividends with respect to its common shares and has no present plan to pay any dividends in the foreseeable future. The Company intends to retain its earnings to support the development of its business. Any dividends paid in the future by the Company will be paid at the discretion of the Board of Directors and will be dependent upon distributions, if any, made by its subsidiaries, and on the Company's results of operations, its financial condition and other factors deemed relevant by the Board of Directors. In accordance with the relevant PRC regulations and the Articles of Association of companies incorporated in the PRC, appropriations of net income of wholly owned foreign enterprises and Sino-foreign joint venture companies as reflected in their statutory financial statements are to be allocated to either (i) each of the general reserve, the enterprise expansion reserve and the staff bonus and welfare reserve, respectively, or (ii) the statutory reserve, as determined by the resolution of the Board of Directors annually.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

The principal United States market for our common shares, our only class of outstanding equity securities, is the Nasdaq Capital Market. Our common shares are traded on the Nasdaq Capital Market under the symbol "CHNR." We are not aware of any principal market for any of our securities outside of the United States.

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares have been listed on the Nasdaq Capital Market since November 22, 2004, under the symbol "CHNR." From August 7, 1995, until November 22, 2004, our common shares were listed on the Nasdaq SmallCap Market under the symbol "CHRB."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information contained in our Registration Statement on Form F-3 (File No. 333-233852), declared effective by the SEC on November 20, 2019, under the heading “[Our Charter and Certain Provisions of BVI Law](#)” is hereby incorporated by reference.

C. Material Contracts

In January 2020, we drew down CNY50.0 million under the Bank Loan with the Bank of Communications. The proceeds were used for the construction of wastewater treatment infrastructure in villages and towns in the Wujiang Project. See “Item 5.B. – OPERATING AND FINANCIAL REVIEW AND PROSPECTS – Liquidity and Capital Resources – Bank Loan” for additional information.

In August 2020, we issued 9,077,166 common shares to Feishang Group, which is indirectly wholly owned by Mr. Li Feilie, our controlling shareholder, in exchange for 120 million shares of FARL held by Feishang Group. See “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of FARL Shares in Exchange for Newly Issued Company Shares” for additional information.

On January 20, 2021, the Company entered into a Securities Purchase Agreement with certain institutional investors (the “Investors”), pursuant to which the Company agreed to issue and sell, (i) in a registered direct offering, up to an aggregate of 3.96 million common shares of the Company at a per share purchase price of \$1.85 (the “Registered Offering”), and (ii) in a concurrent private placement, warrants initially exercisable for the purchase of an aggregate of 1,584,000 common shares of the Company (the “Investors Warrants”), for gross proceeds of approximately \$7.3 million, before deducting fees to the placement agent and other estimated offering expenses payable by the Company. The Registered Offering closed on January 22, 2021.

The Investors Warrants are exercisable immediately as of the date of issuance until 36 months after the date of issuance at an initial exercise price of \$2.35 per share. The exercise price of the Investors Warrants is subject to full-ratchet anti-dilution adjustment in the case of future issuances of common shares of the Company below the Investors Warrants’ exercise price then in effect, as well as customary adjustment in case of stock splits, stock dividends, stock combinations and similar recapitalization transactions. A holder of the Investors Warrants also will have the right to exercise such warrants on a cashless basis if a registration statement or prospectus contained therein is not available for the issuance of all common shares issuable upon exercise thereof. The exercisability of the Investors Warrants may also be limited if, upon exercise, the holder and its affiliates would in aggregate beneficially own more than 4.99% or 9.99% of the Company’s common shares, which percentage shall be elected by the holder on or prior to the issuance date.

FT Global Capital, Inc. (the “Placement Agent”) acted as the exclusive placement agent in connection with the Registered Offering and the private placement pursuant to the terms of a placement agency agreement, dated January 20, 2021, between the Company and the Placement Agent (the “Placement Agent Agreement”). Pursuant to the Placement Agent Agreement, the Company agreed to pay the Placement Agent a cash fee equal to 8% of the aggregate proceeds received by the Company from the sale of its securities to investors introduced to the Company by the Placement Agent. In addition to the cash fee, the Company agreed to issue to the Placement Agent warrants to purchase an aggregate of up to 10% of the aggregate number of shares sold in the Registered Offering (the “Placement Agent Warrants”). The Placement Agent Warrants are on the same terms and conditions as the Investors Warrants, exercisable at a price of \$2.35 per share, subject to a 180-day delay in the exercise period.

On June 30, 2021, Shenzhen Qianhai signed a loan agreement with Shenzhen Chaopeng, pursuant to which Shenzhen Chaopeng borrowed CNY80.0 million from Shenzhen Qianhai with an annual interest rate of 9% and a term of one year. See “Item 5.B. – OPERATING AND FINANCIAL REVIEW AND PROSPECTS – Liquidity and Capital Resources – Other Receivables” for additional information.

In July 2021, we issued 3.0 million common shares, and transferred our 120.0 million shares of Feishang Anthracite, as well as approximately CNY10.3 million (US\$1.6 million), to Feishang Group in exchange for all outstanding shares of PST Technology and the transfer to us of approximately CNY130.0 million (US\$20.5 million) of PST Technology’s outstanding debt previously owed to Li Feilie. See “Item 7.B. – MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS – Related Party Transactions – Acquisition of PST Technology” for additional information.

The Company is a beneficiary from the letters from Feishang Group and Feishang Enterprise regarding the provision of financial support to the Company, executed on April 13, 2022.

D. Exchange Controls

There are no material BVI laws, decrees, regulations or other pieces of legislation that impose foreign exchange controls on us or that affect our payment of dividends, interest or other payments to nonresident holders of our shares. BVI law and our Memorandum and Articles impose no limitations on the right of nonresident or foreign owners to hold or vote our common shares. However, we operate through subsidiaries located in the PRC, and the payment of dividends by PRC companies is subject to certain restrictions imposed under PRC law.

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, the reinvestment of lawful income derived by foreign investors in the PRC (e.g. profits, the proceeds of a sale of equity, a capital reduction, liquidation or the early repatriation of an investment), and purchase and remittance of foreign exchange as a result of such lawful income in a foreign-invested enterprise no longer requires SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible before. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, specifying that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to direct investment in the PRC based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the Circular on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. Under SAFE Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

In October 2019, SAFE issued the Circular on Further Promoting the Facilitation of Cross Border Trade and Investment, which allows noninvestment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws.

In addition, our wholly owned subsidiaries are required to allocate portions of their after-tax profits to their enterprise expansion funds and staff welfare and bonus funds at the discretion of their boards of directors. Allocations to these statutory reserves and funds can only be used for specific purposes and are not transferable to us in the forms of loans, advances or cash dividends.

E. Taxation

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below), BVI tax consequences of an investment in our common shares, and PRC tax considerations.

United States Federal Income Taxation

The following discussion addresses only the material U.S. federal income tax consequences to a U.S. Holder who holds common shares as a capital asset (generally, property held for investment). This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the ownership and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any particular U.S. Holder. In addition, this summary does not address the U.S. federal alternative minimum tax applicable to noncorporate holders, U.S. federal estate and gift, U.S. Medicare contribution, U.S. state and local, or non-U.S. tax consequences of the acquisition, ownership or disposition of common shares, except to the extent described below under “British Virgin Islands Income Taxation” and “PRC Taxation.” Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each U.S. Holder should consult its own tax advisor regarding all U.S. federal, U.S. state and local and non-U.S. tax consequences of the ownership and disposition of common shares.

No opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the ownership or disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, any position taken in this summary. In addition, because the authorities upon which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of This Disclosure

Authorities. This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date hereof. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders. For purposes of this summary, the term “U.S. Holder” means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- An individual who is a U.S. citizen or resident;
- A corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- An estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders. For purposes of this summary, a “non-U.S. Holder” is a beneficial owner of common shares that is not a partnership (or other “pass-through” entity) for U.S. federal income tax purposes and is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to non-U.S. Holders arising from the ownership or disposition of common shares.

Accordingly, a non-U.S. Holder should consult its own tax advisor regarding all U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application of and operation of any income tax treaties) relating to the purchase, ownership or disposition of common shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of ownership or disposition of common shares by U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) broker-dealers, dealers, or traders in securities or currencies that elect to apply a “mark-to-market” accounting method; (d) U.S. Holders that have a “functional currency” other than the U.S. Dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquire common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) U.S. Holders that own directly, indirectly, or by attribution, 10% or more, by voting power or value, of the outstanding stock of the Company; (i) U.S. Holders subject to Section 451(b) of the Code; and (j) U.S. expatriates or former long-term residents of the U.S. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding all U.S. federal, U.S. state and local, and non-U.S. tax consequences (including the potential application and operation of any income tax treaties) relating to the acquisition, ownership, or disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such partnership and the partners (or other owners) of such partnership of the ownership, or disposition of the common shares generally will depend on the activities of the partnership and the status of such partners (or other owners). This summary does not address the U.S. federal income tax consequences for any such partner or partnership (or other “pass-through” entity or its owners). Owners of entities and arrangements that are classified as partnerships (or other “pass-through” entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the ownership or disposition of common shares.

Taxation of Dividends

The gross amount of a distribution paid on our common shares out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) generally will be taxable to you as foreign source dividend income and generally will not be eligible for the dividends-received deduction allowed to corporate shareholders under U.S. federal income tax law. To the extent that a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated as a nontaxable return of capital to the extent of your basis in our common shares with respect to which such distribution is made, and thereafter as a capital gain.

We do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles. You therefore should expect that distributions generally will be treated as dividends for U.S. federal income tax purposes.

Subject to certain exceptions for short-term and hedged positions, the U.S. Dollar amount of dividends received by certain noncorporate taxpayers, including individuals, will be subject to taxation at the preferential rates applicable to long-term capital gains if the dividends are “qualified dividends.” Dividends paid on common shares will be treated as qualified dividends if (i) the common shares are readily tradable on an established securities market in the United States and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC, as discussed below.

The common shares are listed on the Nasdaq Capital Market and will qualify as readily tradable on an established securities market in the United States so long as they are so listed.

Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of common shares, a U.S. Holder generally will recognize a capital gain or loss in an amount equal to the difference between the amount of cash plus the fair market value of any property received and such U.S. Holder’s tax basis in the common shares sold or otherwise disposed of. Such capital gain or loss will generally be a long-term capital gain or loss if, at the time of the sale or other taxable disposition, the U.S. Holder’s holding period for the common shares is more than one year. Preferential tax rates apply to long-term capital gains of noncorporate U.S. Holders. Deductions for capital losses are subject to significant limitations under the Code. A U.S. Holder’s tax basis in common shares generally will be such U.S. Holder’s U.S. Dollar cost for such common shares.

PFIC Status of the Company

The Company has not performed an analysis of whether or not it will be deemed a PFIC for its current taxable year. If the Company is or becomes a PFIC, the foregoing description of the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership and disposition of common shares will be different. The U.S. federal income tax consequences of owning and disposing of common shares if the Company is or becomes a PFIC are described below under the heading “Tax Consequences if the Company is a PFIC.”

A non-U.S. corporation is a PFIC for each tax year in which (i) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) (the “income test”) or (ii) 50% or more (by value) of its assets (based on an average of the quarterly values of the assets during such tax year) either produce or are held for the production of passive income (the “asset test”). For purposes of the PFIC provisions, “gross income” generally includes sales revenues less cost of goods sold, plus income from investments and from incidental or other operations or sources, and “passive income” generally includes dividends, interest, certain rents and royalties, certain gains from commodities or securities transactions and the excess of gains over losses from the disposition of certain assets which produce passive income. If a non-U.S. corporation owns at least 25% (by value) of the stock of another corporation, the non-U.S. corporation is treated, for purposes of the income test and asset test, as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation’s income.

Under certain attribution and indirect ownership rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any company that is also a PFIC (a “Subsidiary PFIC”), and will be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of common shares. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of the Company’s common shares are made.

The determination of PFIC status is inherently factual, is subject to a number of uncertainties, and can be determined only annually at the close of the tax year in question. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. There can be no assurance that the Company will or will not be determined to be a PFIC for the current tax year or any prior or future tax year, and no opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or will be requested. U.S. Holders should consult their own U.S. tax advisors regarding the PFIC status of the Company.

Tax Consequences if the Company is a PFIC

If the Company is a PFIC for any tax year in which a U.S. Holder holds common shares, special rules may increase such U.S. Holder's U.S. federal income tax liability with respect to the ownership and disposition of such common shares. If the Company is a PFIC for any tax year in which a U.S. Holder owns common shares, the Company will be treated as a PFIC with respect to such U.S. Holder for that tax year and for all subsequent tax years, regardless of whether the Company meets the income test or the asset test for such subsequent tax years, unless the U.S. Holder makes a "deemed sale" election with respect to the common shares. If the election is made, the U.S. Holder will be deemed to sell the common shares it holds at their fair market value on the last day of the last taxable year in which the Company qualified as a PFIC, and any gain recognized from such deemed sale would be taxed under the PFIC excess distribution regime. After the deemed sale election, the U.S. Holder's common shares would not be treated as shares of a PFIC unless the Company subsequently becomes a PFIC. U.S. Holders should consult their own U.S. tax advisors regarding the availability and desirability of a deemed sale election.

Under the default PFIC rules:

- Any gain realized on the sale or other disposition (including dispositions and certain other events that would not otherwise be treated as taxable events) of common shares (including an indirect disposition of the stock of any Subsidiary PFIC) and any "excess distribution" (defined as a distribution to the extent it (together with all other distributions received in the relevant tax year) exceeds 125% of the average annual distribution received during the shorter of the preceding three years or the U.S. Holder's holding period for the common shares) received on common shares or with respect to the stock of a Subsidiary PFIC will be allocated ratably to each day of such U.S. Holder's holding period for the common shares;
- The amount allocated to the current tax year and any year prior to the first year in which the Company was a PFIC will be taxed as ordinary income in the current year;
- The amount allocated to each of the other tax years (the "Prior PFIC Years") will be subject to tax at the highest ordinary income tax rate in effect for the applicable class of taxpayer for that year; and
- An interest charge will be imposed with respect to the resulting tax attributable to each Prior PFIC Year.

A U.S. Holder that makes a timely and effective "mark-to-market" election under Section 1296 of the Code (a "Mark-to-Market Election") or a timely and effective election to treat the Company and each Subsidiary PFIC as a "qualified electing fund" (a "QEF") under Section 1295 of the Code (a "QEF Election") may generally mitigate or avoid the default PFIC rules described above with respect to common shares. U.S. Holders should be aware that there can be no assurance that the Company has satisfied or will satisfy the recordkeeping requirements that apply to a QEF or that the Company has supplied or will supply U.S. Holders with information such U.S. Holders require to report under the QEF rules in the event that the Company is a PFIC for any tax year.

A timely and effective QEF Election requires a U.S. Holder to include currently in gross income each year its pro rata share of the Company's ordinary earnings and net capital gains, regardless of whether such earnings and gains are actually distributed. Thus, a U.S. Holder could have a tax liability with respect to such ordinary earnings or gains without a corresponding receipt of cash from the Company. If the Company is a QEF with respect to a U.S. Holder, the U.S. Holder's basis in the common shares will be increased to reflect the amount of the taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the common shares and will not be taxed again as a distribution to a U.S. Holder. Taxable gains on the disposition of common shares by a U.S. Holder that has made a timely and effective QEF Election are generally capital gains. A U.S. Holder must make a QEF Election for the Company and each Subsidiary PFIC if it wishes to have this treatment. To make a QEF Election, a U.S. Holder will need to have an annual information statement from the Company setting forth the ordinary earnings and net capital gains for the year and the Company may not provide this statement, in which case a QEF Election cannot be made. In general, a U.S. Holder must make a QEF Election on or before the due date for filing its income tax return for the first year to which the QEF Election will apply. Under applicable Treasury Regulations, a U.S. Holder will be permitted to make retroactive elections in particular, but limited, circumstances, including if it had a reasonable belief that the Company was not a PFIC and did not file a protective election. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

Each U.S. Holder should consult its own tax advisor regarding the availability and desirability of, and procedure for, making a timely and effective QEF Election (including a “pedigreed” QEF Election where necessary) for the Company and any Subsidiary PFIC.

Alternatively, a Mark-to-Market Election may be made with respect to “marketable stock” in a PFIC if such stock is “regularly traded” on a “qualified exchange or other market” (within the meaning of the Code and the applicable U.S. Treasury Regulations). A class of stock that is traded on one or more qualified exchanges or other markets is considered to be “regularly traded” for any calendar year in which such class of stock is traded in other than de minimis quantities on at least 15 days during each calendar quarter. If the common shares are considered to be “regularly traded” within this meaning, then a U.S. Holder generally will be eligible to make a Mark-to-Market Election with respect to its common shares. However, there is no assurance that the common shares will remain “regularly traded” for this purpose. A Mark-to-Market Election may not be made with respect to the stock of any Subsidiary PFIC. Hence, a Mark-to-Market Election will not be effective to eliminate the application of the default PFIC rules, described above, with respect to deemed dispositions of Subsidiary PFIC stock, or excess distributions with respect to a Subsidiary PFIC.

A U.S. Holder that makes a timely and effective Mark-to-Market Election with respect to common shares generally will be required to recognize ordinary income in each tax year in which the Company is a PFIC in an amount equal to the excess, if any, of the fair market value of such shares as of the close of such taxable year over the U.S. Holder’s adjusted tax basis in such shares as of the close of such taxable year. A U.S. Holder’s adjusted tax basis in the common shares generally will be increased by the amount of ordinary income recognized with respect to such shares. If the U.S. Holder’s adjusted tax basis in the common shares as of the close of a tax year exceeds the fair market value of such shares as of the close of such taxable year, the U.S. Holder generally will recognize an ordinary loss, but only to the extent of net mark-to-market income recognized with respect to such shares for all prior taxable years. A U.S. Holder’s adjusted tax basis in its common shares generally will be decreased by the amount of ordinary loss recognized with respect to such shares. Any gain recognized upon a disposition of the common shares generally will be treated as ordinary income, and any loss recognized upon a disposition generally will be treated as an ordinary loss to the extent of net mark-to-market income recognized for all prior taxable years. Any loss recognized in excess thereof will be taxed as a capital loss. Capital losses are subject to significant limitations under the Code. Each U.S. Holder should consult its own tax advisor regarding the availability and desirability of, and procedure for, making a timely and effective Mark-to-Market Election with respect to the common shares.

Receipt of Foreign Currency

The amount of any distribution or proceeds paid in any currency other than U.S. Dollars to a U.S. Holder in connection with the ownership of common shares, or on the sale or other taxable disposition of common shares will be included in the gross income of a U.S. Holder as translated into U.S. Dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the payment, regardless of whether the currency is converted into U.S. Dollars at that time. If the currency received is not converted into U.S. Dollars on the date of receipt, a U.S. Holder will have a basis in the currency equal to its U.S. Dollar value on the date of receipt. Any U.S. Holder who receives payment in non-U.S. currency and engages in a subsequent conversion or other disposition of the currency may have a foreign currency exchange gain or loss that would generally be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of non-U.S. currency.

Information Reporting: Backup Withholding

Under U.S. federal income tax law, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a non-U.S. corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of “specified foreign financial assets” includes not only financial accounts maintained in non-U.S. financial institutions, but also, if held for investment and not in an account maintained by certain financial institutions, any stock or security issued by a non-U.S. person, any financial instrument or contract that has an issuer or counterparty other than a U.S. person and any interest in a non-U.S. entity. A U.S. Holder may be subject to these reporting requirements unless such U.S. Holder’s common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns on IRS Form 8938, and, if applicable, filing obligations relating to the PFIC rules, including possible reporting on an IRS Form 8621.

A holder of common shares may be subject to information reporting and “backup withholding,” currently at the rate of 24%, with respect to (a) distributions paid on our common shares and (b) proceeds arising from the sale or other taxable disposition of common shares, in each case if the distribution or proceeds are paid by a paying agent, broker or other intermediary in the United States or by a U.S. broker or certain United States-related brokers to the holder outside the United States. Backup withholding may be avoided by the holder of common shares if such holder:

- is a corporation or comes within other exempt categories; or
- provides a correct taxpayer identification number, certifies that such holder is not subject to backup withholding and otherwise complies with the backup withholding rules.

In addition, holders of common shares who are not U.S. persons are generally exempt from backup withholding, although they may be required to comply with certification and identification procedures in order to prove their exemption.

Any amounts withheld under the backup withholding rules from a payment to a holder will be refunded or credited against the holder’s U.S. federal income tax liability, if any, provided that amount withheld is claimed as federal taxes withheld on the holder’s U.S. federal income tax return relating to the year in which the backup withholding occurred. A holder who is not otherwise required to file a U.S. income tax return must generally file a claim for refund or, in the case of non-U.S. holders, an income tax return in order to claim refunds of withheld amounts.

The discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period in which the IRS can assess a tax, and, under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL U.S. TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE OWNERSHIP, EXERCISE OR DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

BVI Taxation

This summary has been prepared based upon management’s understanding of applicable tax consequences, but has not been reviewed by counsel or other experts in U.S. or BVI taxation. This summary does not address all possible tax consequences relating to an investment in our common shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which, such as dealers in securities, insurance companies and tax-exempt entities, may be subject to special rules. In particular, the discussion does not address the tax of non-BVI tax laws, except to the extent described above under “United States Federal Income Taxation.” Accordingly, each prospective investor should consult its own tax advisor regarding the particular tax consequences to it of an investment in the common shares. The discussion below is based upon laws and relevant interpretations in effect as of the date of this Annual Report, all of which are subject to change. Under the BVI Business Companies Act (as amended) as currently in effect, companies incorporated or registered under the BVI Business Companies Act are exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the Business Companies Act.

A holder of our common shares who is not a resident of BVI is exempt from BVI income tax on dividends paid with respect to the common shares and any capital gains realized with respect to any common shares. In addition, the common shares are not subject to transfer taxes, stamp duties or similar charges for so long as we do not hold an interest in real estate in the BVI.

There are no estate, gift or inheritance taxes levied by the BVI on companies incorporated or registered under the BVI Business Companies Act.

There is no income tax treaty or convention currently in effect between the United States and the BVI that is applicable to any payments made by or to a company incorporated or registered under the BVI Business Companies Act.

PRC Taxation

If the PRC tax authorities determine that we are a “resident enterprise” for PRC enterprise income tax purposes, a withholding tax of 10% may be imposed by us on any dividends that non-PRC resident holders of our common shares receive from us and on gains realized on their sale or other disposition of common shares, if such income is considered as income derived from within the PRC.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents concerning the Company that are referred to in this Annual Report may be inspected at the Company's principal executive offices at Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. Certain documents described in response to Item 19. of this Annual Report are filed with this Annual Report and others are incorporated by reference to documents previously filed by the Company with the SEC. The documents that are filed herewith or incorporated by reference can be viewed on the SEC's website at www.sec.gov.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Equity price risk

We were not exposed to equity price risk as of December 31, 2021, following the disposal of FARL's equity securities in July 2021.

Foreign currency exchange rate risk

Revenue and expenses of our PRC subsidiaries are denominated in Renminbi. The administrative expenses of the Company's head office in Hong Kong are denominated either in United States dollars or Hong Kong dollars. As the reporting currency of the Company's consolidated financial statements is Renminbi, the Company has market risk with respect to currency fluctuation between Hong Kong dollars and United States dollars to Renminbi and translation difference may arise on consolidation. The Company may also suffer an exchange loss when it converts Renminbi to other currencies, such as Hong Kong dollars or United States dollars. If market conditions allow, the Company endeavors to match the currency used in operating/investing activities with that used in financing activities. We have not engaged any foreign currency contracts to hedge our potential foreign currency exchange exposure, if any.

Interest rate risk

None of our outstanding debt bears interest at a floating rate. Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank accounts. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Commodity price risk

We were not exposed to commodity price risk as of December 31, 2021, as we did not have any copper ore in inventory on that date.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Exchange Act. As of December 31, 2021, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures.

In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon that evaluation and subsequent evaluations conducted in connection with the audit of the Company’s consolidated financial statements for the year ended December 31, 2021, the Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures were effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported, within the periods specified by the SEC’s rules and regulations.

Management’s Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, the Company’s principal executive and principal financial officers and effected by the Company’s Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS issued by the IASB and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS issued by IASB, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, we used the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission ("COSO") (2013 framework) (the COSO criteria). Based on our evaluation and the COSO criteria, we determined that, as of December 31, 2021, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

Since the Company is not an accelerated filer, the auditor's attestation report pursuant to SOX Section 404(b) is not required in this Annual Report.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the fiscal year 2021 and that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

ITEM 16. [Reserved]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

In general, an "audit committee financial expert" within the meaning of Item 16A. of Form 20-F, is an individual member of the Audit Committee who:

- understands generally accepted accounting principles and financial statements;
- is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves;
- has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity of our financial statements, or experience actively supervising one or more persons engaging in such activities;
- understands internal controls over financial reporting; and
- understands audit committee functions.

An "audit committee financial expert" may acquire the foregoing attributes through:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions;
- experience overseeing or assessing the performance of companies or public accounts with respect to the preparation, auditing or evaluation of financial statements; or
- other relevant experience.

Our Board of Directors has determined that Mr. Yip Wing Hang and Mr. Lam Kwan Sing is each an "audit committee financial expert" within the meaning of Item 16A of Form 20-F of Regulation S-K. Each of our "audit committee financial experts" is independent as that term is used in Nasdaq Marketplace Rule 5605(a)(2).

ITEM 16B. CODE OF ETHICS

A Code of Ethics is a written standard designed to deter wrongdoing and to promote:

- honest and ethical conduct,
- full, fair, accurate, timely and understandable disclosure in regulatory filings and public statements,
- compliance with applicable laws, rules and regulations,
- the prompt reporting violation of the code, and
- accountability for adherence to the Code of Ethics.

We have adopted a Code of Ethics that is applicable to all of our employees, and also contains provisions that apply only to our Chief Executive Officer, principal financial and accounting officers and persons performing similar functions. A copy of our Code of Ethics is incorporated by reference as an exhibit to this Annual Report.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table shows the fees that we paid for audit and other services provided by Ernst & Young Hua Ming LLP (PCAOB ID No. 1408), Beijing, China, our independent registered public accounting firm, for fiscal years 2020 and 2021.

	<u>Fiscal Year 2020</u>		<u>Fiscal Year 2021</u>	
Audit Fees	US\$	153,125	US\$	619,110
Audit-Related Fees	US\$	7,656	US\$	75,112
Tax Fees		—		—
All Other Fees		—		—
Total	US\$	<u>160,781</u>	US\$	<u>694,222</u>

Audit Fees —This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with engagements for those fiscal years.

Audit-Related Fees —This category includes the fees for the pro forma review of the Company’s acquisition of FARL shares in 2020, and fees relating to the registered public offering of common shares, concurrent private placement of warrants, and related filing of a resale registration statement on Form F-3 in 2021.

The Audit Committee has adopted a procedure for pre-approval of all fees charged by the Company’s independent registered public accounting firm. Under the procedure, the Audit Committee approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the entire Audit Committee, or, in the period between meetings, by a designated member of the Audit Committee. Any such approval by the designated member is disclosed to the entire Audit Committee at the next meeting. All the audit fees paid to Ernst & Young Hua Ming LLP with respect to fiscal years 2020 and 2021 were approved by the Audit Committee.

ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR THE AUDIT COMMITTEE

Not applicable.

ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGES IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Our common shares are currently listed on the Nasdaq Capital Market and, for so long as our securities continue to be listed, we will remain subject to the rules and regulations established by the Nasdaq Stock Market that apply to listed companies. Nasdaq rules include various corporate governance requirements applicable to listed securities. While all Nasdaq-listed companies are subject to certain of these corporate governance requirements, foreign private issuers such as our company are exempt from other corporate governance requirements if the laws of their home jurisdiction do not otherwise require compliance. Since our home jurisdiction does not mandate compliance with some of these Nasdaq rules, we have opted out of compliance with them. A more detailed description of the Nasdaq requirements that we are not subject to is contained elsewhere in this Annual Report under “Item 6.C. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES – Board Practices – Nasdaq Requirements.”

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our audited consolidated financial statements are included at the end of this Annual Report on Form 20-F.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report on Form 20-F. Certain exhibits have been previously filed with the SEC pursuant to the Exchange Act, as amended (Commission File Number 000-26046).

<u>Exhibit No.</u>	<u>Exhibit Description</u>
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (included as Exhibit 99.1 to the Current Report on Form 6-K furnished January 30, 2014, and incorporated herein by reference).
2.1	Description of China Natural Resources, Inc.'s Securities Registered under Section 12 of the Securities Exchange Act of 1934, as Amended (included as Exhibit 2.1 to the Annual Report on Form 20-F filed June 12, 2020, and incorporated herein by reference).
2.2	Form of Investors Warrant (included as Exhibit 2.1 to the Current Report on Form 6-K furnished January 20, 2021, and incorporated herein by reference).
2.3	Form of Placement Agent Warrant (included as Exhibit 2.2 to the Current Report on Form 6-K furnished January 20, 2021, and incorporated herein by reference).
4.1	2014 Equity Compensation Plan (included as Annex A of Exhibit 99.1 to the Current Report on Form 6-K furnished August 13, 2014, and incorporated herein by reference).
4.2	Service Agreement dated as of April 2, 2015, by and between the Company and Tam Cheuk Ho (included as Exhibit 99.1 to the Current Report on Form 6-K furnished April 6, 2015, and incorporated herein by reference).
4.3	Service Agreement dated as of April 2, 2015, by and between the Company and Wong Wah On Edward (included as Exhibit 99.2 to the Current Report on Form 6-K furnished April 6, 2015, and incorporated herein by reference).
4.4	License Agreement dated April 1, 2017, by and between Anka Consultants Limited and China Natural Resources, Inc. (included as Exhibit 4.15 to the Annual Report on Form 20-F filed June 19, 2017, and incorporated herein by reference).
4.5	Inner Mongolia Wulatehouqi Moruogu Tong Mine Cooperation Agreement on Mineral Exploration dated August 20, 2017, by and between Bayannaer City Feishang Mining Company Limited and Bayannaer Jijincheng Mining Co., Ltd. (included as Exhibit 4.25 to the Annual Report on Form 20-F filed April 30, 2018, and incorporated herein by reference).
4.6	Sale and Purchase Agreement dated July 27, 2021, by and between China Natural Resources, Inc. and Li Feilie (included as Exhibit 4.1 to the Current Report on Form 6-K furnished July 27, 2021, and incorporated herein by reference).
4.7	Confirmation of Financial Support to China Natural Resources, Inc., dated April 13, 2022, from Feishang Group Ltd. (filed herewith).
4.8	Confirmation of Financial Support to China Natural Resources, Inc., dated April 13, 2022, from Feishang Enterprise Group Co., Ltd. (filed herewith).
4.9	Domestic Garbage and Sewage Treatment Infrastructure at Villages and Towns, Wujiang District, Whole PPP Project Package, PPP Project Contract – Purchaser; Housing and Urban-Rural Development Bureau of Wujiang District, Shaoguan City, by and among Shanghai Onway Environmental Development Co., Ltd., Guangzhou Ruiyi Environmental Protection Technology Co., Ltd., Guangdong Xifu Environmental Protection Technology Co., Ltd., Guangdong Xinzheng Construction Engineering Co., Ltd., and Shaoguan Angrui Environmental Technology Development Co. Ltd., dated August 2018 (filed herewith).
4.10	Fixed Assets Loan Contract, between the Bank of Communications Co., Ltd. and Shaoguan Angrui Environmental Technology Development Co. Ltd., dated August 29, 2019 (filed herewith).
4.11	Guarantee Contract, between Bank of Communications Co., Ltd. and Feishang Enterprise Group Co., Ltd., dated August 29, 2019 (filed herewith).
4.12	Guarantee Contract, between Bank of Communications Co., Ltd. and Shanghai Onway Environmental Development Co., Ltd., dated August 29, 2019 (filed herewith).
4.13	Accounts Receivable Pledge Contract, between Bank of Communications Co., Ltd. and Shaoguan Angrui Environmental Technology Development Co., Ltd., dated August 29, 2019 (filed herewith).
4.14	Equity Pledge Contract, between Bank of Communications Co., Ltd. and Shanghai Onway Environmental Development Co., Ltd., dated August 29, 2019 (filed herewith).
4.15	Loan Agreement, between Shenzhen Qianhai Feishang Environmental Investment Co., Ltd and Shenzhen Chaopeng Investment Co., Ltd, dated June 30, 2021 (filed herewith).
4.16	Irrevocable Letter of Guarantee for Joint and Several Liability, dated June 30, 2021, from Shenzhen Feishang Investment Co., Ltd. (filed herewith).

[Table of Contents](#)

8	Subsidiaries of the Registrant (filed herewith).
11	Code of Business Conduct and Ethics (filed as Exhibit 14 to Annual Report on Form 10-KSB filed March 30, 2004, and incorporated herein by reference).
12.1	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
12.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
13.1	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
13.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
15.1	Consent of Ernst & Young Hua Ming LLP to incorporation of audit report dated May 17, 2022, into registration statements on Form F-3 (SEC File No. 333-233852 and SEC File No. 333-252895) (filed herewith).
15.2	Press release dated May 17, 2022 (filed herewith).
101.INS	Inline XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

CHINA NATURAL RESOURCES, INC.

Date: May 17, 2022

By: /s/ WONG WAH ON EDWARD
Wong Wah On Edward, CEO

CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm, together with the consolidated financial statements for the Company and its subsidiaries, including:

- a. Consolidated statements of profit or loss for the years ended December 31, 2019, 2020 and 2021
 - b. Consolidated statements of comprehensive income for the years ended December 31, 2019, 2020 and 2021
 - c. Consolidated statements of financial position as of January 1, 2020, December 31, 2020 and 2021
 - d. Consolidated statements of changes in equity for the years ended December 31, 2019, 2020 and 2021
 - e. Consolidated statements of cash flows for the years ended December 31, 2019, 2020 and 2021
 - f. Notes to the consolidated financial statements
-

CHINA NATURAL RESOURCES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Pages</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID: 1408)	F-2
Consolidated statements of profit or loss for the years ended December 31, 2019, 2020 and 2021	F-4
Consolidated statements of comprehensive income for the years ended December 31, 2019, 2020 and 2021	F-5
Consolidated statements of financial position as of January 1, 2020, December 31, 2020 and 2021	F-6 – F-7
Consolidated statements of changes in equity for the years ended December 31, 2019, 2020 and 2021	F-8
Consolidated statements of cash flows for the years ended December 31, 2019, 2020 and 2021	F-9 – F-10
Notes to the consolidated financial statements	F-11 – F-95

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of China Natural Resources, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of China Natural Resources, Inc. (the “Company”) as of December 31, 2021 and 2020, and January 1, 2020, the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and January 1, 2020 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Business combination under common control

As discussed in Note 29 to the consolidated financial statements, the Company restated the comparative financial statements to account for a common control transaction using the pooling of interest method.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates:

Description of the Matter

Recoverability of trade receivables and contract assets

As of December 31, 2021, the Group had trade receivables of CNY51,027,000 and contract assets of CNY106,366,000, net of expected credit losses (“ECL”) allowance of CNY17,614,000 and CNY562,000, respectively, and recognized total expected credit loss of CNY4,197,000 for the year ended December 31, 2021. As described in Notes 15 and 16 to the consolidated financial statements, the Group estimates expected credit losses for trade receivables and contract assets using a provision matrix that is based on past collection history, age of balances, and adjusted for forward-looking factors for each debtors’ group with similar risk characteristic.

Auditing expected credit loss allowance for trade receivables and contract assets is complex and subjective due to the highly judgmental nature of determining the composition of each debtor group and quantifying the impact of the forward-looking factors on expected credit loss.

How We Addressed the Matter in Our Audit

We obtained an understanding of management’s processes relating to the monitoring and assessing the recoverability of trade receivables and contract assets.

To test the adequacy of the loss allowances related to trade receivables and contract assets, our audit procedures included, among others, evaluating the methodology used, significant assumptions and the underlying data used by the Group. We evaluated management’s methodology for determining the segmentation of debtor groups based on credit risk characteristics. We evaluated the appropriateness of the Group’s methodology used to measure expected credit loss and evaluated management’s development, selection and weighting of the forward-looking factors used in the expected credit loss model. We also involved our internal actuarial specialists to evaluate the appropriateness of the methodology and expectation of forward-looking factors to estimate the credit loss allowances. In addition, we tested the completeness and accuracy of the underlying data used in credit risk analysis and measuring expected credit losses.

/s/ Ernst & Young Hua Ming LLP
We have served as the Company’s auditor since 2015.
Beijing, the People’s Republic of China
May 17, 2022

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

	Notes	Year Ended December 31,			
		2019	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Revenue	3	<u>147,179</u>	<u>42,498</u>	<u>18,735</u>	<u>2,948</u>
Cost of sales	6	<u>(132,141)</u>	<u>(39,215)</u>	<u>(18,494)</u>	<u>(2,910)</u>
Gross profit		<u>15,038</u>	<u>3,283</u>	<u>241</u>	<u>38</u>
Selling and distribution expenses		<u>(828)</u>	<u>(758)</u>	<u>(922)</u>	<u>(145)</u>
Administrative expenses		<u>(19,904)</u>	<u>(18,853)</u>	<u>(22,869)</u>	<u>(3,598)</u>
Other income/(losses)		<u>1,431</u>	<u>1,616</u>	<u>(183)</u>	<u>(29)</u>
Fair value gain/(loss) on financial instruments, net	6	<u>—</u>	<u>31,334</u>	<u>(38,349)</u>	<u>(6,034)</u>
Impairment losses on financial assets	6	<u>(9,367)</u>	<u>(4,162)</u>	<u>(3,330)</u>	<u>(524)</u>
Impairment loss on intangible assets	6	<u>(16,662)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Impairment loss on goodwill	6	<u>(31,478)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance costs	5	<u>(340)</u>	<u>(3,749)</u>	<u>(4,359)</u>	<u>(686)</u>
Finance income	5	<u>12,808</u>	<u>15,468</u>	<u>16,935</u>	<u>2,665</u>
(LOSS)/PROFIT BEFORE INCOME TAX	6	<u>(49,302)</u>	<u>24,179</u>	<u>(52,836)</u>	<u>(8,313)</u>
Income tax benefit/(expense)	8	<u>1,374</u>	<u>(1,258)</u>	<u>(2,135)</u>	<u>(336)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(47,928)</u>	<u>22,921</u>	<u>(54,971)</u>	<u>(8,649)</u>
ATTRIBUTABLE TO:					
Owners of the Company		<u>(43,042)</u>	<u>24,336</u>	<u>(48,152)</u>	<u>(7,576)</u>
Non-controlling interests		<u>(4,886)</u>	<u>(1,415)</u>	<u>(6,819)</u>	<u>(1,073)</u>
		<u>(47,928)</u>	<u>22,921</u>	<u>(54,971)</u>	<u>(8,649)</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:					
Basic and diluted					
- (Loss)/earnings per share	9	<u>(1.54)</u>	<u>0.78</u>	<u>(1.18)</u>	<u>(0.19)</u>

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands)

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		
(LOSS)/PROFIT FOR THE YEAR	<u>(47,928)</u>	<u>22,921</u>	<u>(54,971)</u>	<u>(8,649)</u>
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Foreign currency translation adjustments	<u>(111)</u>	<u>703</u>	<u>(7,657)</u>	<u>(1,204)</u>
Total other comprehensive (loss)/income for the year, net of tax	<u>(111)</u>	<u>703</u>	<u>(7,657)</u>	<u>(1,204)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(48,039)</u>	<u>23,624</u>	<u>(62,628)</u>	<u>(9,853)</u>
Attributable to:				
Owners of the Company	<u>(43,153)</u>	<u>25,039</u>	<u>(55,809)</u>	<u>(8,780)</u>
Non-controlling interests	<u>(4,886)</u>	<u>(1,415)</u>	<u>(6,819)</u>	<u>(1,073)</u>
	<u>(48,039)</u>	<u>23,624</u>	<u>(62,628)</u>	<u>(9,853)</u>

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JANUARY 1, 2020, DECEMBER 31, 2020 AND 2021
(Amounts in thousands)

	Notes	January 1,		December 31,	
		2020	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	11	<u>1,512</u>	<u>1,203</u>	<u>715</u>	<u>112</u>
Intangible assets	12	<u>799</u>	<u>643</u>	<u>20,189</u>	<u>3,176</u>
Right-of-use assets	14	<u>1,142</u>	<u>3,560</u>	<u>2,351</u>	<u>370</u>
Trade and bills receivable	15	<u>27,869</u>	<u>31,676</u>	<u>9,501</u>	<u>1,495</u>
Contract assets	16	<u>91,486</u>	<u>111,689</u>	<u>91,035</u>	<u>14,323</u>
Deferred tax assets	24	<u>3,132</u>	<u>2,920</u>	<u>66</u>	<u>10</u>
Other non-current assets		<u>—</u>	<u>—</u>	<u>10</u>	<u>2</u>
TOTAL NON-CURRENT ASSETS		<u>125,940</u>	<u>151,691</u>	<u>123,867</u>	<u>19,488</u>
CURRENT ASSETS					
Inventories		<u>637</u>	<u>838</u>	<u>986</u>	<u>155</u>
Trade and bills receivable	15	<u>64,385</u>	<u>29,771</u>	<u>41,526</u>	<u>6,533</u>
Contract assets	16	<u>11,928</u>	<u>14,558</u>	<u>15,331</u>	<u>2,412</u>
Prepayments		<u>790</u>	<u>384</u>	<u>2,236</u>	<u>352</u>
Other receivables	17	<u>1,962</u>	<u>1,920</u>	<u>86,201</u>	<u>13,562</u>
Due from related companies	26	<u>123,677</u>	<u>123,893</u>	<u>—</u>	<u>—</u>
Other current assets		<u>6,243</u>	<u>6,747</u>	<u>4,942</u>	<u>778</u>
Financial assets at fair value through profit or loss	22	<u>—</u>	<u>143,674</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents	18	<u>59,398</u>	<u>56,580</u>	<u>58,359</u>	<u>9,182</u>
TOTAL CURRENT ASSETS		<u>269,020</u>	<u>378,365</u>	<u>209,581</u>	<u>32,974</u>
TOTAL ASSETS		<u>394,960</u>	<u>530,056</u>	<u>333,448</u>	<u>52,462</u>

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF JANUARY 1, 2020, DECEMBER 31, 2020 AND 2021
(Amounts in thousands)

	Notes	January 1,	December 31,		
		2020 CNY (As adjusted)	2020 CNY (As adjusted)	2021 CNY	2021 US\$
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade payables	19	70,906	28,621	21,118	3,321
Contract liabilities		690	690	690	108
Other payables and accruals	20	19,711	9,750	12,098	1,903
Income tax payable		24,161	18,612	9,254	1,456
Dividends payable	10	—	—	5,048	794
Interest-bearing loans and borrowings	21	—	3,000	3,000	472
Derivative financial liabilities	22	—	—	1,710	269
Lease liabilities	14	1,238	1,382	981	154
Due to related companies	26	75,306	79,459	5,710	898
Due to the Shareholder	26	7,097	7,149	14,050	2,211
TOTAL CURRENT LIABILITIES		<u>199,109</u>	<u>148,663</u>	<u>73,659</u>	<u>11,586</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	24	150	10,426	2,544	401
Lease liabilities	14	—	2,168	1,208	191
Interest-bearing loans and borrowings	21	30,000	77,000	74,000	11,643
TOTAL NON-CURRENT LIABILITIES		<u>30,150</u>	<u>89,594</u>	<u>77,752</u>	<u>12,235</u>
TOTAL LIABILITIES		<u>229,259</u>	<u>238,257</u>	<u>151,411</u>	<u>23,821</u>
EQUITY					
Issued capital	25	340,875	419,091	450,782	70,924
Other capital reserves	25	763,729	787,987	719,110	113,141
Accumulated losses	25	(1,055,523)	(1,031,187)	(1,084,387)	(170,611)
Other comprehensive losses		(3,867)	(3,164)	(10,821)	(1,703)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>45,214</u>	<u>172,727</u>	<u>74,684</u>	<u>11,751</u>
NON-CONTROLLING INTERESTS		<u>120,487</u>	<u>119,072</u>	<u>107,353</u>	<u>16,890</u>
TOTAL EQUITY		<u>165,701</u>	<u>291,799</u>	<u>182,037</u>	<u>28,641</u>
TOTAL LIABILITIES AND EQUITY		<u>394,960</u>	<u>530,056</u>	<u>333,448</u>	<u>52,462</u>

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands)

	Attributable to Owners of the Company					Non-controlling interests	Total equity
	Issued capital	Other capital reserves	Accumulated losses	Other comprehensive (loss)/income	Total		
	CNY	CNY	CNY	CNY	CNY		
(As adjusted)							
Balance as of January 1, 2019	340,875	763,729	(1,012,481)	(3,756)	88,367	111,656	200,023
Loss for the year	—	—	(43,042)	—	(43,042)	(4,886)	(47,928)
Foreign currency translation adjustments	—	—	—	(111)	(111)	—	(111)
Total comprehensive loss	—	—	(43,042)	(111)	(43,153)	(4,886)	(48,039)
Capital injection from non-controlling shareholders	—	—	—	—	—	13,717	13,717
Balance as of December 31, 2019	<u>340,875</u>	<u>763,729</u>	<u>(1,055,523)</u>	<u>(3,867)</u>	<u>45,214</u>	<u>120,487</u>	<u>165,701</u>
(As adjusted)							
Balance as of January 1, 2020	340,875	763,729	(1,055,523)	(3,867)	45,214	120,487	165,701
Income/(loss) for the year	—	—	24,336	—	24,336	(1,415)	22,921
Foreign currency translation adjustments	—	—	—	703	703	—	703
Total comprehensive income/(loss)	—	—	24,336	703	25,039	(1,415)	23,624
Issuance of shares	78,216	24,258	—	—	102,474	—	102,474
Balance as of December 31, 2020	<u>419,091</u>	<u>787,987</u>	<u>(1,031,187)</u>	<u>(3,164)</u>	<u>172,727</u>	<u>119,072</u>	<u>291,799</u>
(As adjusted)							
Balance as of January 1, 2021	419,091	787,987	(1,031,187)	(3,164)	172,727	119,072	291,799
Loss for the year	—	—	(48,152)	—	(48,152)	(6,819)	(54,971)
Foreign currency translation adjustments	—	—	—	(7,657)	(7,657)	—	(7,657)
Total comprehensive loss	—	—	(48,152)	(7,657)	(55,809)	(6,819)	(62,628)
Deemed distribution to the controlling shareholder (Note 29)	—	(75,651)	—	—	(75,651)	—	(75,651)
Dividends declared (Note 10)	—	—	(5,048)	—	(5,048)	—	(5,048)
Dividends paid to non-controlling shareholders	—	—	—	—	—	(4,900)	(4,900)
Issuance of shares (Note 25(a))	31,691	—	—	—	31,691	—	31,691
Equity-settled share-based payments (Note 27)	—	2,311	—	—	2,311	—	2,311
Others (Note 25(b))	—	4,463	—	—	4,463	—	4,463
Balance as of December 31, 2021	<u>450,782</u>	<u>719,110</u>	<u>(1,084,387)</u>	<u>(10,821)</u>	<u>74,684</u>	<u>107,353</u>	<u>182,037</u>
Balance as of December 31, 2021 (US\$)	<u>70,924</u>	<u>113,141</u>	<u>(170,611)</u>	<u>(1,703)</u>	<u>11,751</u>	<u>16,890</u>	<u>28,641</u>

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands)

	Notes	Year Ended December 31,			
		2019	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
OPERATING ACTIVITIES					
(Loss)/profit before income tax for the year		(49,302)	24,179	(52,836)	(8,313)
Adjustments for:					
Finance costs		383	3,457	4,128	650
Interest income		(6,797)	(7,330)	(7,358)	(1,157)
Expenses related to issuance of shares	6	—	—	1,579	248
Fair value (gain)/loss on financial instruments, net	6	—	(31,334)	38,349	6,034
Depreciation of property, plant and equipment	6	534	565	510	80
Depreciation of right-of-use assets	6	1,816	1,663	1,366	215
Amortization of intangible assets	6	1,185	156	884	139
Impairment losses on trade receivables	6	7,673	4,544	3,840	604
Impairment losses on contract assets	6	33	172	357	56
Impairment losses on other receivables	6	—	—	239	38
Impairment losses/(reversal) on amounts due from related companies	6	1,661	(554)	(1,106)	(174)
Impairment loss on intangible assets	6	16,662	—	—	—
Impairment loss of goodwill	6	31,478	—	—	—
Changes in working capital					
Inventories		490	(201)	(148)	(23)
Trade and bills receivables		3,372	26,263	6,580	1,035
Contract assets		(83,920)	(18,595)	(780)	(123)
Prepayments		8,639	406	(1,852)	(291)
Other receivables		61	41	(930)	(146)
Other current assets		(3,485)	(504)	1,805	284
Trade payables		31,722	(38,471)	(7,507)	(1,181)
Other payables and accruals		10,064	(10,961)	813	128
Cash used in operations		(27,731)	(46,504)	(12,067)	(1,897)
Income tax paid		(2,609)	(22)	(1)	—
Net cash flows used in operating activities		(30,340)	(46,526)	(12,068)	(1,897)
INVESTING ACTIVITIES					
Interest received		7,359	7,667	3,760	592
Additions of service concession right		(9,212)	(7,575)	(68)	(11)
Purchase of property, plant and equipment		(630)	(266)	(28)	(4)
Prepayment for right-of-use assets		—	—	(55)	(9)
Purchase of structured deposit product		—	(45,000)	(60,000)	(9,440)
Disposal of property, plant and equipment		30	96	6	1
Disposal of a subsidiary		—	—	(263)	(41)
Loan to an unrelated company		—	—	(80,000)	(12,587)
Repayment from loans due from related companies		—	—	125,000	19,667
Proceeds from maturity of structured deposit product		—	40,000	65,000	10,227
Net cash flows (used in)/from investing activities		(2,453)	(5,168)	53,352	8,395

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands)

	Notes	Year Ended December 31,			
		2019	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
FINANCING ACTIVITIES					
Proceeds from issuance of shares		—	—	41,996	6,607
Proceeds from bank loans		30,000	50,000	—	—
Repayments of bank loans		—	—	(3,000)	(472)
Advances from related companies		6,759	4,082	360	57
Advances from the Shareholder		—	462	—	—
Repayment to related companies		(5,704)	—	(50,148)	(7,890)
Repayments to the Shareholder		—	—	(7,149)	(1,125)
Payment of principal portion of lease liabilities		(1,503)	(1,769)	(1,463)	(230)
Payment of interest expenses on lease liabilities		(102)	(80)	(150)	(24)
Deemed distribution to the controlling shareholder		—	—	(10,297)	(1,620)
Payments related to issuance of shares		—	(72)	—	—
Dividends paid to non-controlling shareholders		—	—	(4,900)	(771)
Advances from non-controlling shareholder		13,717	—	—	—
Interest paid		(345)	(4,028)	(4,035)	(635)
Net cash flows from/(used in) financing activities		42,822	48,595	(38,786)	(6,103)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		10,029	(3,099)	2,498	395
NET FOREIGN EXCHANGE DIFFERENCE					
		(27)	281	(719)	(115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		49,396	59,398	56,580	8,902
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	59,398	56,580	58,359	9,182

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

China Natural Resources, Inc. (“CHNR” or the “Company”) is a British Virgin Islands (“BVI”) holding company incorporated in 1993. The address of the principal executive office is Room 2205, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company’s principal activity is investment holding. The Company’s subsidiaries (collectively with CHNR, the “Group”) are primarily involved in the exploration and mining and wastewater treatment businesses in the People’s Republic of China (“PRC”).

CHNR’s principal shareholder is Feishang Group Limited (“Feishang Group” or the “Shareholder”), a BVI corporation. Mr. Li Feilie is the controlling shareholder of Feishang Group. In the opinion of the directors of the Company (the “Directors”), the ultimate parent of CHNR is Laitan Investment Limited, a BVI corporation.

As of the date of this report, the Company had direct and indirect interests in the following subsidiaries, the particulars of which are set out below:

Name	Place of incorporation/ registration and operations	Nominal value of issued common/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Coal Mining Investment Limited (“China Coal”)	Hong Kong	*	100	—	Investment holding
FMH Corporate Services Inc.	United States	*	100	—	Dormant
Feishang Dayun Coal Mining Limited	Hong Kong	*	—	100	Investment holding
Feishang Mining Holdings Limited	BVI	*	100	—	Investment holding
Feishang Yongfu Mining Limited	Hong Kong	*	—	100	Investment holding
Newhold Investments Limited	BVI	*	100	—	Investment holding
Pineboom Investments Limited	BVI	*	100	—	Investment holding
Shenzhen Feishang Management and Consulting Co., Limited (“Feishang Management”)	PRC/Mainland China	CNY10,000	—	100	Provision of management and consulting services to other companies in the Group
Silver Moon Technologies Limited	BVI	CNY1	80	—	Dormant
Sunwide Capital Limited	BVI	*	100	—	Dormant
Yangpu Shuanghu Industrial Development Co., Limited	PRC/Mainland China	CNY1,000	—	100	Investment holding
Yunnan Feishang Mining Co., Limited	PRC/Mainland China	CNY50,000	—	100	Investment holding
Bayannaer City Feishang Mining Company Limited	PRC/Mainland China	CNY59,480	—	100	Exploration and development of lead mine
Precise Space-Time Technology Limited (“PST Technology”)**	Hong Kong	HK\$10	100	—	Investment holding
Shenzhen New Precise Space-Time Technology Co., Limited (“Shenzhen New PST”)	PRC/Mainland China	US\$800	—	100	Investment holding
Shenzhen Qianhai Feishang Environmental Investment Co., Limited (“Shenzhen Qianhai”)**	PRC/Mainland China	CNY100,000	—	100	Investment holding
Shanghai Onway Environmental Development Co., Limited (“Shanghai Onway”)**	PRC/Mainland China	CNY20,408	—	51	Construction service, maintenance service and sales of equipment related to wastewater treatment
Zhejiang Xinyu Environmental Technology Co., Limited**	PRC/Mainland China	CNY20,000	—	51	Construction service, maintenance service and sales of equipment related to wastewater treatment
Shaoguan Angrui Environmental Technology Development Co., Limited (“Shaoguan Angrui”)**	PRC/Mainland China	CNY26,682	—	28	Wastewater and refuse treatment under service concession agreement

* Insignificant

** The Company obtained the control of these entities through acquiring 100% of the equity interests of PST Technology from Mr. Li Feilie on July 27, 2021. Refer to Note 29 for further details.

The consolidated financial statements of the Group for the year ended December 31, 2021 were authorized for issuance in accordance with a resolution of the Directors on May 17, 2022.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial liabilities, structured deposit and equity financial assets that have been measured at fair value. The consolidated financial statements are presented in Chinese Yuan (“CNY”) and all values are rounded to the nearest thousand, except when otherwise indicated. US\$ indicates U.S. dollars.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for each of the three years in the period ended December 31, 2021.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar right of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, International Accounting Standard ("IAS") 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities if the change is a direct consequence of the interest-rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest-rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest-rate benchmark reform on an entity's financial instruments and risk management strategy. These amendments had no material impact on the consolidated financial statements of the Group.
- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease-modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as there were no lease payments reduced or waived by the lessors as a result of the Covid-19 pandemic during the year.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2,4}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds Before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41¹</i>

1 Effective for annual periods beginning on or after January 1, 2022

2 Effective for annual periods beginning on or after January 1, 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to January 1, 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

- (a) Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from January 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- (b) Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.
- (c) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The Company is currently assessing the impact of the amendments on the Group's financial statements.
- (d) Amendments to IAS 8 introduce a new definition of accounting estimates. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. An entity shall apply the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments. The Company is currently assessing the impact of the amendments on the Group's financial statements.
- (e) Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognize a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognize a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

- (f) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- (g) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.
- (h) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognized in the consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Fair value measurement

The Group measures equity investments and derivative financial liabilities at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest-level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Related parties

A party is considered to be related to the Group if:

- (1) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (2) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (1);
 - (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(d) Property, plant and equipment and depreciation

Property, plant and equipment comprise buildings, machinery and equipment, motor vehicles and office and other equipment. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Buildings, machinery and equipment, motor vehicles and office and other equipment are stated at cost less accumulated depreciation and any impairment losses. Expenditures for routine repairs and maintenance are expensed as incurred.

Depreciation for the following items is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset.

Estimated useful lives are as follows:

Buildings	<u>8 – 35 years</u>
Machinery and equipment	<u>3 – 15 years</u>
Motor vehicles	<u>4 – 8 years</u>
Office and other equipment	<u>4 – 8 years</u>

Residual values, useful lives and the depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The following intangible assets are amortized from the date they are available for use and their estimated useful lives are as follows:

Concession right	<u>28</u> years
Patents	<u>18</u> years
Computer software	<u>5</u> years

The useful life of the patents of the Group is determined based on the shorter of their statutory validity periods and the expected benefit periods.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition (calculated as the difference between the net sale proceeds and the carrying amount of the relevant intangible asset) is included in the statement of profit or loss.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities for obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and a non-lease component, the Group adopts the practical expedient not to separate the non-lease component and to account for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

(1) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices and warehouse	<u>2</u> – <u>5</u> years
Motor vehicles	<u>2</u> years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(2) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (continued)

Group as a lessee (continued)

(3) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

(g) Exploration and evaluation costs

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralization in existing bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right has been acquired, exploration and evaluation expenditures are charged to the consolidated statement of profit or loss as incurred, unless a future economic benefit is more likely than not to be realized. Exploration and evaluation assets acquired in a business combination are initially recognized at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

(h) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and contract assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out in Note 2.5(aa) "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(k) Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default based on historical patterns and the credit risk management practices of the Group. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortized cost excluding trade receivables and contract assets are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below:

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets including those containing a significant financing component, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, dividends payable, derivative financial liabilities, interest-bearing loans and borrowings, due to related companies and due to the shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial liabilities (continued)

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost

After initial recognition, lease liabilities are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

(m) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

(n) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(o) Inventories

Inventories include materials and spare parts and are stated at the lower of cost and net realizable values. Cost is determined on a weighted average cost basis and comprises costs of purchase and transportation costs. Net realizable values are based on the estimated selling expenses less any estimated cost to be incurred to completion and disposal.

(p) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short-term maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Further information is set out in Note 7 to the consolidated financial statements.

Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

(r) Share-based payments

The placement agent of the Company's private placement received a portion of its professional service fees in the form of share-based payments, whereby the placement agent rendered services as consideration for the warrants of the Company's shares (equity-settled transactions).

Equity-settled transaction

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a binomial lattice pricing model. If the cost of an equity-settled transaction is the transaction cost related to the issuance of a compound financial instrument, it is allocated to the liability and equity components of the instrument in proportion to the respective fair value on the date of issuance. That cost allocated to the liability component and equity component is recognized as an administrative expense and a deduction from equity, together with a corresponding increase in equity (other capital reserves), on the date which the services are rendered.

(s) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. The capitalization of such borrowing costs ceases when the asset is substantially ready for its intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing funds.

(t) Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either as other comprehensive income or loss, or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting date, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income taxes (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the 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 liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Foreign currencies

The functional currency of substantially all the operations of the Group is the CNY, the national currency of the PRC. Transactions denominated in currencies other than the CNY recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies have been translated into CNY at the functional currency rates of exchange prevailing at the end of the reporting period. The resulting exchange gains or losses are credited or charged to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currencies (continued)

The functional currency of the Company is the Hong Kong dollar. The consolidated financial statements of certain overseas subsidiary operations with a functional currency other than the CNY have been translated into CNY. The assets and liabilities of these entities have been translated using the exchange rates prevailing at the reporting date and their consolidated statements of profit or loss have been translated using the weighted average exchange rate for the year. Resulting translation adjustments are reported as a separate component of other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of profit or loss.

(v) Convenience translation

The consolidated financial statements are stated in CNY. The translation of amounts from CNY into US\$ is supplementary information and is included solely for the convenience of the readers and has been made at the rate of exchange quoted by www.ofx.com on December 31, 2021 of US\$1.00 = CNY6.3559. No representation is made that the CNY amounts could have been, or could be, converted into US\$ at that rate on December 31, 2021 or at any other date.

(w) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(x) Dividends

Final dividends are recognized as a liability when they are approved by the Directors in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

(y) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the period in which the costs for which it is intended to compensate are expensed.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Service concession arrangement

The Group has entered a service concession arrangement with the governmental entity of Guangdong Shaoguan which is the grantor of the service concession arrangement.

Under this service concession arrangement:

- the grantor controls or regulates the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, or the infrastructure is used for its entire useful life under the arrangements, or both the Group's practical ability to sell or pledge the infrastructure is restricted and continuing right of use of the infrastructure is given to the grantor throughout the period of the arrangements.

A financial asset (receivable under a service concession arrangement) is recognized to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash or another financial asset if nothing other than the passage of time is required before payment of the consideration is due and the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under "Investments and other financial assets" above.

An intangible asset (concession right) is recognized to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession right) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" above.

Construction services

If the Group is paid partly with a financial asset and partly with an intangible asset, each component of the consideration is accounted for separately and the consideration received or receivable for both components will be recognized initially at the fair value of the consideration received or receivable.

Revenue relating to construction is accounted for in accordance with the policy set out for "Revenue from contracts with customers - Construction services" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue from contracts with customers-Operation services of service concession arrangements" below. Costs for operating services are expensed in the period in which they are incurred.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.
- The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group’s performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognizes revenue at the point in time at which the performance obligation is satisfied.

The progress towards complete satisfaction of the performance obligation is measured based on the Group’s efforts or inputs to the satisfaction of the performance obligation, by reference to the surveyors’ assessment of work performed and the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

When the Group provides more than one service in a service concession arrangement, the transaction price will be allocated to each performance obligation by reference to their relative stand-alone selling prices. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue recognition (continued)

Revenue from contracts with customers (continued)

Construction services

The Group's performance in respect of construction services creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. The Group satisfies the performance obligation and recognizes revenue over time, by reference to completion of the specific transaction assessed on the basis of the surveyors' assessment of work performed for each contract.

The fair value of the construction services under a service concession arrangement is initially estimated at the date of the agreement based on a cost-plus-margin basis with reference to the prevailing market rate of gross margin applicable to similar construction services rendered.

Operation services of service concession arrangements

The operation revenue from service concession arrangements is recognized over the period of time that the services are rendered, and the benefits are received and consumed simultaneously by the customers.

Sales of water treatment equipment

Revenue from the sales of water treatment equipment is recognized at the point in time when control of the asset is transferred to the customer. Control is generally transferred when: (i) the customer obtains the physical possession or the legal title of water treatment equipment; and (ii) the Group has a present right to payment and the collection of the consideration is probable.

Maintenance services

Revenue from maintenance services is recognized over the period of time that the services are rendered, and the benefits are received and consumed simultaneously by the customers.

Trading of copper ores

The Group purchased copper ores from third-party suppliers and then resells to a third-party trading company. The Group controlled the copper ores prior to selling them to customers. Revenue was recognized on a gross basis, and at the point in time when control of the asset was transferred to the customer, upon delivery of the copper ores to the customers.

Other income

Imputed finance income under a service concession arrangement is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Contract assets and contract liabilities

Contract assets

A contract asset is the right to consideration in exchange for services or goods transferred to the customer. If the Group performs by transferring services or goods to a customer before the customer pays consideration or before the right to payment is unconditional other than the passage of time, a contract asset is recognized for the earned consideration that is conditional.

Contract assets are subject to impairment assessment according to the policy set out for “(k) Impairment of financial assets” above.

Contract liabilities

A contract liability is the obligation to transfer services or goods to a customer from which the Group has received consideration (or from which an amount of consideration is unconditionally due) from the customer. If a customer pays consideration before the Group transfers services or goods to the customer, a contract liability is recognized when the payment is made or the payment is unconditionally due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on the amounts recognized in the financial statements.

Service concession arrangement

The Group entered into Public-Private Partnership ("PPP") projects under Build-Operate-Transfer ("BOT") arrangements in respect of its environmental water projects.

The Group has concluded that the BOT arrangement is a service concession arrangement under IFRIC 12 Service Concession Arrangements, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge and, upon expiration of concession right agreements, the infrastructure has to be transferred to the local government at nil consideration.

Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amounts of current tax payable carried as a liability in the consolidated statement of financial position as of December 31, 2020 and 2021 were CNY18,612 and CNY9,254 (US\$1,456), respectively.

Estimation uncertainty

Contract asset and intangible asset under IFRIC 12 Service Concession Arrangements

The Group recognizes the consideration received or receivable in exchange for the construction services as a contract asset and an intangible asset under a service concession arrangement. However, if the Group is paid for the construction services partly by a cash consideration and partly by an intangible asset, it is necessary to separately account for each component of the operator's consideration. Both components of consideration received or receivable initially are recognized at their respective fair values.

The segregation of the consideration for a service concession arrangement between the contract asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, *inter alia*, the fair value of the construction services, expected future water treatment volume of the relevant water treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including revenue recognition of the contract asset and intangible asset components are determined by the Group's management based on their experience and assessment of current and future market conditions. The carrying amounts of the intangible asset ("concession right") and contract asset at the end of the reporting period are disclosed in Notes 12 and 16, respectively.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on financial assets at amortized cost and contract assets

The policy for provision for expected credit losses on contract assets and financial assets at amortized cost including trade receivables, other receivables and amounts due from related parties is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes past collection history, age of balances, customer type and forecasts of future economic conditions to estimate the ECLs. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The information about the ECLs on the Group's contract assets and financial assets at amortized cost is disclosed in Notes 15, 16, 17 and 26.

3. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's management and the Company's board of Directors for the purpose of resource allocation and performance assessment.

Management assesses the performance of operating segments based on profit or loss before income tax in related periods. The manner of assessment is consistent with that applied in these financial statements.

As of December 31, 2021, the Group's two reportable operating segments are summarized below:

- Wastewater treatment segment, which consists of sales of assembled equipment, provision of construction service and participating in PPP projects as operator;
- Exploration and mining segment, which consists of the exploration of lead, silver and other metals in the Inner Mongolia Autonomous Region of the PRC and the trading of copper ores products;

Deferred tax assets, income tax payable and deferred tax liabilities are excluded from segment assets and segment liabilities. The Group had neither sales of products nor provisions of services between the operating segments.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

3. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2019, the segment results were as follows:

	Year Ended December 31, 2019 (As adjusted)			Total CNY
	Wastewater treatment CNY	Exploration and mining CNY	Corporate activities CNY	
Revenues from external customers	134,210	12,969	—	147,179
Segment loss before income tax	(43,557)	(964)	(4,781)	(49,302)
Income tax benefit				1,374
Loss for the year				(47,928)
Other items				
Depreciation of property, plant and equipment	(468)	(62)	(4)	(534)
Depreciation of right of use assets	(629)	(34)	(1,153)	(1,816)
Amortization of intangible assets	(1,185)	—	—	(1,185)
Impairment losses on financial assets				
- Trade receivables	(7,673)	—	—	(7,673)
- Contract assets	(33)	—	—	(33)
- Amounts due from related companies	(1,109)	—	(552)	(1,661)
Impairment loss on intangible assets	(16,662)	—	—	(16,662)
Impairment loss on goodwill	(31,478)	—	—	(31,478)
Other income	1,430	—	1	1,431
Finance costs	(273)	(2)	(65)	(340)
Finance income	12,792	1	15	12,808
As of December 31, 2019 (As adjusted)				
Segment assets	335,858	4,268	51,702	391,828
Unallocated assets:				
Deferred tax assets				3,132
Total assets				394,960
Segment liabilities	121,318	6,560	77,070	204,948
Unallocated liabilities:				
Deferred tax liabilities				150
Income tax payable				24,161
Total liabilities				229,259

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

3. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2020, the segment results were as follows:

	Year Ended December 31, 2020 (As adjusted)			Total CNY
	Wastewater treatment CNY	Exploration and mining CNY	Corporate activities CNY	
Revenues from external customers	<u>35,631</u>	<u>6,867</u>	<u>—</u>	<u>42,498</u>
Segment (loss)/profit before income tax	<u>(112)</u>	<u>(682)</u>	<u>24,973</u>	<u>24,179</u>
Income tax expense				<u>(1,258)</u>
Profit for the year				<u>22,921</u>
Other items				
Depreciation of property, plant and equipment	<u>(500)</u>	<u>(62)</u>	<u>(3)</u>	<u>(565)</u>
Depreciation of right of use assets	<u>(687)</u>	<u>—</u>	<u>(976)</u>	<u>(1,663)</u>
Amortization of intangible assets	<u>(156)</u>	<u>—</u>	<u>—</u>	<u>(156)</u>
Impairment (losses)/reversal on financial assets				
- Trade receivables	<u>(4,544)</u>	<u>—</u>	<u>—</u>	<u>(4,544)</u>
- Contract assets	<u>(172)</u>	<u>—</u>	<u>—</u>	<u>(172)</u>
- Amounts due from related companies	<u>334</u>	<u>—</u>	<u>220</u>	<u>554</u>
Fair value gain on financial instrument	<u>—</u>	<u>—</u>	<u>31,334</u>	<u>31,334</u>
Other income	<u>1,415</u>	<u>200</u>	<u>1</u>	<u>1,616</u>
Finance costs	<u>(3,687)</u>	<u>(1)</u>	<u>(61)</u>	<u>(3,749)</u>
Finance income	<u>15,449</u>	<u>1</u>	<u>18</u>	<u>15,468</u>
As of December 31, 2020 (As adjusted)				
Segment assets	<u>337,050</u>	<u>39</u>	<u>190,047</u>	<u>527,136</u>
Unallocated assets:				
Deferred tax assets				<u>2,920</u>
Total assets				<u>530,056</u>
Segment liabilities	<u>116,140</u>	<u>3,013</u>	<u>90,066</u>	<u>209,219</u>
Unallocated liabilities:				
Deferred tax liabilities				<u>10,426</u>
Income tax payable				<u>18,612</u>
Total liabilities				<u>238,257</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

3. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2021, the segment results were as follows:

	Year Ended December 31, 2021			Total CNY
	Wastewater treatment	Exploration and mining	Corporate activities	
	CNY	CNY	CNY	
Revenues from external customers	<u>18,735</u>	<u>—</u>	<u>—</u>	<u>18,735</u>
Segment loss before income tax	<u>(7,216)</u>	<u>(161)</u>	<u>(45,459)</u>	<u>(52,836)</u>
Income tax expense				<u>(2,135)</u>
Loss for the year				<u>(54,971)</u>
Other items				
Depreciation of property, plant and equipment	<u>(445)</u>	<u>(62)</u>	<u>(3)</u>	<u>(510)</u>
Depreciation of right of use assets	<u>(647)</u>	<u>—</u>	<u>(719)</u>	<u>(1,366)</u>
Amortization of intangible assets	<u>(884)</u>	<u>—</u>	<u>—</u>	<u>(884)</u>
Impairment (losses)/reversal on financial assets				
- Trade receivables	<u>(3,840)</u>	<u>—</u>	<u>—</u>	<u>(3,840)</u>
- Contract assets	<u>(357)</u>	<u>—</u>	<u>—</u>	<u>(357)</u>
- Other receivables	<u>—</u>	<u>—</u>	<u>(239)</u>	<u>(239)</u>
- Amounts due from related companies	<u>775</u>	<u>—</u>	<u>331</u>	<u>1,106</u>
Fair value loss on financial instruments, net	<u>—</u>	<u>—</u>	<u>(38,349)</u>	<u>(38,349)</u>
Other (losses)/income	<u>(782)</u>	<u>600</u>	<u>(1)</u>	<u>(183)</u>
Finance costs	<u>(4,192)</u>	<u>(1)</u>	<u>(166)</u>	<u>(4,359)</u>
Finance income	<u>13,537</u>	<u>1</u>	<u>3,397</u>	<u>16,935</u>
As of December 31, 2021				
Segment assets	<u>390,895</u>	<u>321</u>	<u>22,166</u>	<u>413,382</u>
Reconciliation:				
Elimination of inter-segment receivables				<u>(80,000)</u>
Unallocated assets:				
Deferred tax assets				<u>66</u>
Total assets				<u>333,448</u>
Segment liabilities	<u>113,124</u>	<u>3,294</u>	<u>103,195</u>	<u>219,613</u>
Reconciliation:				
Elimination of inter-segment payables				<u>(80,000)</u>
Unallocated liabilities:				
Deferred tax liabilities				<u>2,544</u>
Income tax payable				<u>9,254</u>
Total liabilities				<u>151,411</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

3. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2021, the segment results were as follows (continued):

	Year Ended December 31, 2021			
	Wastewater treatment	Exploration and mining	Corporate activities	Total
	US\$	US\$	US\$	US\$
Revenues from external customers	2,948	—	—	2,948
Segment loss before income tax	(1,135)	(25)	(7,153)	(8,313)
Income tax expense				(336)
Loss for the year				(8,649)
Other items				
Depreciation of property, plant and equipment	(70)	(10)	—	(80)
Depreciation of right of use assets	(102)	—	(113)	(215)
Amortization of intangible assets	(139)	—	—	(139)
Impairment (losses)/reversal on financial assets				
- Trade receivables	(604)	—	—	(604)
- Contract assets	(56)	—	—	(56)
- Other receivables	—	—	(38)	(38)
- Amounts due from related companies	122	—	52	174
Other (losses)/income	(123)	94	—	(29)
Fair value loss on financial instruments, net	—	—	(6,034)	(6,034)
Finance costs	(660)	—	(26)	(686)
Finance income	2,131	—	534	2,665
As of December 31, 2021				
Segment assets	61,501	51	3,487	65,039
Reconciliation:				
Elimination of inter-segment receivables				(12,587)
Unallocated assets:				
Deferred tax assets				10
Total assets				52,462
Segment liabilities	17,798	518	16,235	34,551
Reconciliation:				
Elimination of inter-segment payables				(12,587)
Unallocated liabilities:				
Deferred tax liabilities				401
Income tax payable				1,456
Total liabilities				23,821

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

3. SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Non-current assets*

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Mainland China	<u>4,327</u>	<u>22,905</u>	<u>3,603</u>
Hong Kong	<u>1,079</u>	<u>360</u>	<u>57</u>
Total	<u>5,406</u>	<u>23,265</u>	<u>3,660</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended December 31, 2019, revenue of approximately CNY90,917 was derived from services provided by wastewater treatment segment to a single customer.

For the year ended December 31, 2020, revenue of approximately CNY24,405 and CNY6,867 were respectively derived from services provided by the wastewater treatment segment to a single customer and sales by exploration and mining segment to a single customer.

For the year ended December 31, 2021, revenue of approximately CNY6,349 and CNY5,915 were derived from services under service concession arrangement and services under a construction contract provided to their respective single major customer by the wastewater treatment segment.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

	Year Ended December 31, 2019 (As adjusted)		
	Wastewater treatment	Exploration and mining	Total
	CNY	CNY	CNY
Segments			
Type of goods or services			
Sales of copper ores	—	12,969	12,969
Sales of water treatment equipment	2,275	—	2,275
Construction contract revenue	37,773	—	37,773
Operation and maintenance services	3,245	—	3,245
Operation services of service concession arrangement	2,295	—	2,295
Construction services of service concession arrangement	88,622	—	88,622
Total revenue from contracts with customers	<u>134,210</u>	<u>12,969</u>	<u>147,179</u>
Geographic market			
Mainland China	<u>134,210</u>	<u>12,969</u>	<u>147,179</u>
Timing of revenue recognition			
At a point in time	2,275	12,969	15,244
Over time	131,935	—	131,935
Total revenue from contracts with customers	<u>134,210</u>	<u>12,969</u>	<u>147,179</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	Year Ended December 31, 2020 (As adjusted)		
	Wastewater treatment	Exploration and mining	Total
	CNY	CNY	CNY
Segments			
Type of goods or services			
Sales of copper ores	—	6,867	6,867
Construction contract revenue	7,665	—	7,665
Operation and maintenance services	3,561	—	3,561
Operation services of service concession arrangement	2,295	—	2,295
Construction services of service concession arrangement	22,110	—	22,110
Total revenue from contracts with customers	<u>35,631</u>	<u>6,867</u>	<u>42,498</u>
Geographic market			
Mainland China	<u>35,631</u>	<u>6,867</u>	<u>42,498</u>
Timing of revenue recognition			
At a point in time	—	6,867	6,867
Over time	35,631	—	35,631
Total revenue from contracts with customers	<u>35,631</u>	<u>6,867</u>	<u>42,498</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	Year Ended December 31, 2021			
	Wastewater treatment	Exploration and mining	Total	Total
	CNY	CNY	CNY	US\$
Segments				
Type of goods or services				
Construction contract revenue	12,203	—	12,203	1,920
Operation and maintenance services	183	—	183	29
Operation services of service concession arrangement	5,953	—	5,953	937
Construction services of service concession arrangement	396	—	396	62
Total revenue from contracts with customers	<u>18,735</u>	<u>—</u>	<u>18,735</u>	<u>2,948</u>
Geographic market				
Mainland China	<u>18,735</u>	<u>—</u>	<u>18,735</u>	<u>2,948</u>
Timing of revenue recognition				
Over time	<u>18,735</u>	<u>—</u>	<u>18,735</u>	<u>2,948</u>
Total revenue from contracts with customers	<u>18,735</u>	<u>—</u>	<u>18,735</u>	<u>2,948</u>

(i) Disaggregated revenue information

As described in Note 2.5(aa) to the financial statements, revenue from construction contract revenue, operation and maintenance services, operation services of service concession arrangements, and construction services of service concession arrangements are recognized over time. Revenue from sales of water treatment equipment and copper ores is recognized at a point in time.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(ii) Performance obligation

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of December 31 are as follows:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Amounts expected to be recognized as revenue:				
Within one year	<u>29,383</u>	<u>10,201</u>	<u>17,774</u>	<u>2,797</u>
After one year	<u>202,515</u>	<u>192,314</u>	<u>183,114</u>	<u>28,810</u>
	<u><u>231,898</u></u>	<u><u>202,515</u></u>	<u><u>200,888</u></u>	<u><u>31,607</u></u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year relate to construction services, operation services and other services, of which the performance obligations are to be satisfied within 28 years. The amounts disclosed above do not include variable consideration, which is constrained.

The Group has applied the practical expedient under IFRS 15 and does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations for contracts with an original expected duration of one year or less.

(iii) Significant financing components

The majority of the Group's customers are town/village government entities or main contractors of governmental infrastructure projects whose time of payment for the service or goods received from the Group depends on the appropriation and approval of funds. Certain customers for construction services, sales of wastewater treatment equipment, and maintenance services will generally settle the amounts owed to the Group in a number of specified installments covering periods ranging from one year to five years. Therefore, the Group's management considers the contracts with customers which are town/village government entities or main contractors of the governmental infrastructure projects as containing a significant financing component. For each of the three years ended December 31, 2019, 2020, and 2021, the respective revenue considerations were adjusted for this financing component based on an imputed interest rate of 4.75% per annum and the Group's revenue was adjusted to CNY 3,300 (as adjusted), CNY991 (as adjusted) and CNY1,631(US\$ 257), respectively. The interest income related to the significant financing components is disclosed in Note 5 to the financial statements.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

5. FINANCE INCOME AND COSTS

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Finance income				
Interest income on loans to related parties/ a third party	<u>6,581</u>	<u>6,455</u>	<u>6,780</u>	<u>1,066</u>
Interest income on revenue contracts with significant financing component	<u>3,735</u>	<u>3,161</u>	<u>2,313</u>	<u>365</u>
Interest income from service concession arrangement	<u>2,276</u>	<u>4,977</u>	<u>7,264</u>	<u>1,143</u>
Interest income on structured deposits	<u>—</u>	<u>660</u>	<u>328</u>	<u>52</u>
Interest income on bank deposit	<u>216</u>	<u>215</u>	<u>250</u>	<u>39</u>
	<u>12,808</u>	<u>15,468</u>	<u>16,935</u>	<u>2,665</u>
Finance costs				
Interest expenses on loans	<u>345</u>	<u>4,028</u>	<u>4,035</u>	<u>635</u>
Interest expense on lease liabilities	<u>102</u>	<u>80</u>	<u>150</u>	<u>24</u>
Other finance costs	<u>(43)</u>	<u>292</u>	<u>231</u>	<u>36</u>
Less: interest expense capitalized into intangible assets-concession right*	<u>(64)</u>	<u>(651)</u>	<u>(57)</u>	<u>(9)</u>
	<u>340</u>	<u>3,749</u>	<u>4,359</u>	<u>686</u>

* The borrowing costs have been capitalized at a rate of 5.05% per annum during the years ended December 31, 2019 and 2020.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

6. (LOSS)/PROFIT BEFORE INCOME TAX

The Group's (loss)/ profit before tax is arrived at after (crediting)/charging:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Crediting:				
Finance income (Note 5)	<u>(12,808)</u>	<u>(15,468)</u>	<u>(16,935)</u>	<u>(2,665)</u>
Charging:				
Cost of sales				
- Sales of copper ores	<u>12,752</u>	<u>6,854</u>	<u>—</u>	<u>—</u>
- Sales of water treatment equipment	<u>1,189</u>	<u>—</u>	<u>—</u>	<u>—</u>
- Construction service	<u>31,982</u>	<u>6,479</u>	<u>12,876</u>	<u>2,027</u>
- Operation and maintenance services	<u>2,821</u>	<u>3,177</u>	<u>162</u>	<u>25</u>
- Operation services related to service concession arrangement	<u>3,716</u>	<u>3,878</u>	<u>5,067</u>	<u>797</u>
- Construction services related to service concession arrangement	<u>79,681</u>	<u>18,827</u>	<u>389</u>	<u>61</u>
	<u>132,141</u>	<u>39,215</u>	<u>18,494</u>	<u>2,910</u>
Depreciation				
- Property, plant and equipment (Note 11)	<u>534</u>	<u>565</u>	<u>510</u>	<u>80</u>
- Right-of-use assets (Note 14)	<u>1,816</u>	<u>1,663</u>	<u>1,366</u>	<u>215</u>
Amortization of intangible assets* (Note 12)	<u>1,185</u>	<u>156</u>	<u>884</u>	<u>139</u>
Expense relating to short-term leases	<u>445</u>	<u>496</u>	<u>601</u>	<u>95</u>
Impairment losses/(reversal) on financial assets:				
- Trade receivables	<u>7,673</u>	<u>4,544</u>	<u>3,840</u>	<u>604</u>
- Contract assets	<u>33</u>	<u>172</u>	<u>357</u>	<u>56</u>
- Other receivables	<u>—</u>	<u>—</u>	<u>239</u>	<u>38</u>
- Amounts due from related companies	<u>1,661</u>	<u>(554)</u>	<u>(1,106)</u>	<u>(174)</u>
Impairment loss on intangible assets (Note 13)	<u>16,662</u>	<u>—</u>	<u>—</u>	<u>—</u>
Impairment loss on goodwill (Note 13)	<u>31,478</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fair value (gain)/loss on financial instruments:				
- Financial assets at fair value through profit or loss (Note 22 (a))	<u>—</u>	<u>(31,334)</u>	<u>45,816</u>	<u>7,209</u>
- Derivative financial liabilities (Note 22 (b))	<u>—</u>	<u>—</u>	<u>(7,467)</u>	<u>(1,175)</u>
Issuance expense related to placement	<u>—</u>	<u>—</u>	<u>1,579</u>	<u>248</u>
Other (income)/losses	<u>(1,431)</u>	<u>(1,616)</u>	<u>183</u>	<u>29</u>
Finance costs (Note 5)	<u>340</u>	<u>3,749</u>	<u>4,359</u>	<u>686</u>
Employee benefit expenses* (Note 7)	<u>15,395</u>	<u>11,412</u>	<u>11,496</u>	<u>1,809</u>

* The employee benefit expenses and amortization of intangible assets for the year are included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

7. EMPLOYEE BENEFITS

The Group's employee benefits comprise the following:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Wages, salaries and allowances	<u>12,371</u>	<u>9,680</u>	<u>9,302</u>	<u>1,464</u>
Housing funds (a)	<u>405</u>	<u>331</u>	<u>415</u>	<u>65</u>
Contribution to pension plans (a)	<u>1,718</u>	<u>518</u>	<u>1,493</u>	<u>235</u>
Welfare and other expenses	<u>1,038</u>	<u>972</u>	<u>333</u>	<u>52</u>
Less: employee benefit expenses capitalized into intangible assets-concession right	<u>(137)</u>	<u>(89)</u>	<u>(47)</u>	<u>(7)</u>
	<u><u>15,395</u></u>	<u><u>11,412</u></u>	<u><u>11,496</u></u>	<u><u>1,809</u></u>

- (a) According to the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute a certain percentage of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefit expenses include remuneration payables to Directors and senior management as set out in Note 26(e).

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

8. INCOME TAX (BENEFIT)/EXPENSE

The Company is incorporated in the BVI and conducts its primary business operations through its subsidiaries in the PRC. It also has intermediate holding companies in the BVI and Hong Kong. Under the current laws of the BVI, the Company and its subsidiaries incorporated in the BVI are not subject to tax on income or capital gains. The Hong Kong Profits Tax rate is 16.50%. The Company's Hong Kong subsidiaries have both Hong Kong-sourced and non-Hong Kong-sourced income. The latter is not subject to Hong Kong Profits Tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong Profits Tax was made as such operations sustained tax losses during the years ended December 31, 2019, 2020 and 2021. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

China

Under the Law of the PRC on corporate income tax and the Implementation Regulation of the Corporate Income Tax Law (collectively, the "CIT Law"), the Company's PRC subsidiaries are generally subject to PRC corporate income tax at the statutory rate of 25% on their respective estimated assessable profits for the years ended December 31, 2019, 2020 and 2021. Certain PRC subsidiaries of the Company engaged in environmental protection projects were subject to tax at a preferential tax rate of 12.5% or fully exempted from income tax according to the preferential policy of CIT law for the years ended December 31, 2019, 2020 and 2021.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after January 1, 2008 to the Company's Hong Kong subsidiaries are subject to a PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty.

The current and deferred components of income tax (benefit)/expense are as follows:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Current income tax expense/(benefit)	3,817	(4,436)	2,294	361
Deferred income tax (benefit)/expense	(5,191)	(5,694)	(159)	(25)
Total	<u>(1,374)</u>	<u>1,258</u>	<u>2,135</u>	<u>336</u>

(Loss)/profit before income tax consists of the following:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
PRC	(45,335)	(1,214)	(4,669)	(734)
BVI	(3,824)	25,442	(48,106)	(7,569)
Hong Kong	(143)	(49)	(61)	(10)
Total (loss)/profit before income tax for the year	<u>(49,302)</u>	<u>24,179</u>	<u>(52,836)</u>	<u>(8,313)</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

8. INCOME TAX (BENEFIT)/EXPENSE (CONTINUED)

A reconciliation of the income taxes computed at the PRC statutory tax rate of 25% to the actual income tax (benefit)/expense is as follows:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
(Loss)/profit before income tax for the year	(49,302)	24,179	(52,836)	(8,313)
Tax at the statutory tax rate	25%	25%	25%	25%
Computed income tax (benefit)/expense	(12,325)	6,045	(13,209)	(2,078)
Effect of different tax rates of the Company and certain subsidiaries	966	(1,186)	6,937	1,091
Tax losses with no deferred tax assets recognized	468	1,067	1,770	278
Non-deductible expenses				
- Impairment of goodwill	7,870	—	—	—
- Other non-deductible expenses	153	196	122	19
Deductibility of statutory income/(expense)	1,117	(903)	—	—
Utilization of previously unrecognized deductible temporary differences	—	(50)	(150)	(24)
Write-off of unrecoverable deferred tax assets previously recognized	—	—	2,987	470
Preferential tax rate	360	2,038	2,215	348
Current and deferred tax rate differences	(436)	(488)	—	—
Others*	453	(5,461)*	1,463	232
Income tax (benefit)/expense	(1,374)	1,258	2,135	336

* It mainly represents the reversal of a prior withholding CIT payable which is no longer required to be paid according to the prevailing Regulations for Implementing the Corporate Income Tax Law of the PRC and penalties for overdue income tax payment.

The Company's provision for income tax related to uncertain tax position including in the tax payables for the years ended December 31, 2019, 2020 and 2021 was as follows:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
As of January 1	4,042	7,319	8,378	1,318
Additions based on tax positions	3,277	1,059	—	—
As of December 31	7,319	8,378	8,378	1,318

The Group's uncertain tax positions arose from a temporary inconsistency between the tax filings of the Company's subsidiary Shanghai Onway and the CIT laws regarding effective tax holiday periods, non-exemptible revenue, and additional research and development expenses deductions. The Group has recorded the tax provision based on the most likely amounts and included the amounts in the consolidated statement of financial position but has not made revisions to the tax filings.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all outstanding dilutive securities into common shares.

Basic and diluted net (loss)/earnings per share for the years ended December 31, 2019, 2020 and 2021 are as follows:

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		
(Loss)/ profit:				
(Loss)/ profit attributable to ordinary equity holders of the Company	<u>(43,042)</u>	<u>24,336</u>	<u>(48,152)</u>	<u>(7,576)</u>
Number of shares:				
Weighted average number of common shares for basic and diluted loss per share:				
Basic and diluted	<u>27,910,916</u>	<u>31,308,653</u>	<u>40,720,246</u>	40,720,246
(Loss)/earnings per share:				
Basic and diluted	<u>(1.54)</u>	<u>0.78</u>	<u>(1.18)</u>	<u>(0.19)</u>

The Company did not have any potential diluted shares for the years ended December 31, 2019 and 2020. For the year ended December 31, 2021, the effects of the outstanding warrants were anti-dilutive and excluded from the computation of diluted loss per share. Accordingly, the diluted (loss)/earnings per share amounts are the same as the basic (loss)/earnings per share amounts for all periods presented.

10. DIVIDEND

No dividend was paid or declared by the Company for the years ended December 31, 2019, 2020 and 2021. The Company's subsidiary Shenzhen Qianhai declared a dividend amounting to CNY5,048 (US\$794) on June 22, 2021 to its prior shareholder, Shenzhen Qianhai Feishang Industrial Investment Co., Ltd. ("Qianhai Industrial"). As of December 31, 2021, the declared dividend amount was still unpaid and included as dividend payable in the consolidated statement of financial position.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY	Machinery and equipment CNY	Motor vehicle CNY	Office and other equipment CNY	Total CNY
(As adjusted)					
Cost					
As of January 1, 2020	43	1,270	2,440	667	4,420
Additions	3	12	218	33	266
Disposal	—	—	(130)	—	(130)
Foreign exchange difference	—	(51)	—	—	(51)
As of December 31, 2020	46	1,231	2,528	700	4,505
Accumulated depreciation					
As of January 1, 2020	(3)	(1,191)	(1,298)	(416)	(2,908)
Depreciation charge	(3)	(18)	(439)	(105)	(565)
Disposal	—	—	124	—	124
Foreign exchange difference	(3)	50	—	—	47
As of December 31, 2020	(9)	(1,159)	(1,613)	(521)	(3,302)
Net book value					
As of January 1, 2020	40	79	1,142	251	1,512
As of December 31, 2020	37	72	915	179	1,203
Cost					
As of January 1, 2021 (As adjusted)	46	1,231	2,528	700	4,505
Additions	—	—	—	28	28
Disposal	—	(28)	(42)	—	(70)
Foreign exchange difference	—	(26)	—	—	(26)
As of December 31, 2021	46	1,177	2,486	728	4,437
Accumulated depreciation					
As of January 1, 2021 (As adjusted)	(9)	(1,159)	(1,613)	(521)	(3,302)
Depreciation charge	(3)	(13)	(441)	(53)	(510)
Disposal	—	24	40	—	64
Foreign exchange difference	—	26	—	—	26
As of December 31, 2021	(12)	(1,122)	(2,014)	(574)	(3,722)
Net book value					
As of December 31, 2021	34	55	472	154	715
As of December 31, 2021 (US\$)	6	10	73	23	112

There was no impairment loss on property, plant and equipment for the years ended December 31, 2019, 2020 and 2021.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

12. INTANGIBLE ASSETS

	Patent CNY	Concession right CNY	Software CNY	Total CNY
(As adjusted)				
Cost				
As of January 1, 2020	22,878	—	274	23,152
Additions	—	—	—	—
As of December 31, 2020	22,878	—	274	23,152
Accumulated amortization and impairment				
As of January 1, 2020	(22,273)	—	(80)	(22,353)
Amortization charge	(115)	—	(41)	(156)
As of December 31, 2020	(22,388)	—	(121)	(22,509)
Net carrying amount				
As of January 1, 2020	605	—	194	799
As of December 31, 2020	490	—	153	643
Cost				
As of January 1, 2021 (As adjusted)	22,878	—	274	23,152
Transfer in	—	20,430	—	20,430
As of December 31, 2021	22,878	20,430	274	43,582
Accumulated amortization and impairment				
As of January 1, 2021 (As adjusted)	(22,388)	—	(121)	(22,509)
Amortization charge	(105)	(730)	(49)	(884)
As of December 31, 2021	(22,493)	(730)	(170)	(23,393)
Net carrying amount				
As of December 31, 2021	385	19,700	104	20,189
As of December 31, 2021 (US\$)	61	3,099	16	3,176

As of December 31, 2020 and 2021, the Group's concession rights associated with the environmental water projects (comprising intangible asset, contract assets and trade receivables) with aggregate gross carrying amounts of CNY121,224 (as adjusted) and CNY129,437, respectively, were pledged to secure bank loans from Bank of Communications with outstanding balances of CNY80,000 (as adjusted) and CNY77,000, respectively. Please refer to Note 21 for further details.

As a result of the long-term assets impairment assessment, an impairment loss amounting to CNY16,662 was recognized for intangible assets for the year ended December 31, 2019. Refer to Note 13 for further details, and there was no impairment loss on intangible assets for the years ended December 31, 2020 and 2021.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

13. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

Impairment loss on goodwill and long-lived assets

The goodwill amounting to CNY31,478 arising from the acquisition of the entire equity interest in Shanghai Onway in 2017 and was mainly attributable to the expected synergies from combining the operations of the Group and the acquiree. The goodwill was allocated to the wastewater treatment cash-generating units (“CGU”) which is also an operating and reportable segment.

The Group performed its annual impairment test in December 2019. Additionally, the management considered that there were impairment indicators on the wastewater treatment CGU due to the regional market saturation of the wastewater treatment sector which may lead to a decline in business volume and profitability of the wastewater treatment CGU.

The recoverable amount of the wastewater treatment CGU as of December 31, 2019 was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows were updated to reflect the decreased business volume and profitability of the construction service and equipment sales of the wastewater treatment business. The pre-tax discount rate applied to cash flow projections was 12%, and cash flows beyond the five-year period were extrapolated using a 3.0% growth rate that is the same as the long-term average growth rate for the wastewater treatment industry. As a result of this analysis, management recognized an impairment of goodwill and intangible assets amounting to CNY31,478 and CNY16,662, respectively, for the year ended December 31, 2019. The impairment charge is recorded in impairment loss on goodwill and impairment loss on intangible assets, respectively in the statement of profit or loss.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

14. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the years indicated are as follows:

	<u>Motor vehicles</u>	<u>Offices and warehouse</u>	<u>Total</u>
	CNY	CNY	CNY
(As adjusted)			
As of January 1, 2020	<u>—</u>	<u>1,142</u>	<u>1,142</u>
Addition	<u>490</u>	<u>3,591</u>	<u>4,081</u>
Depreciation charge	<u>(82)</u>	<u>(1,581)</u>	<u>(1,663)</u>
As of December 31, 2020	<u>408</u>	<u>3,152</u>	<u>3,560</u>
As of January 1, 2021 (As adjusted)	<u>408</u>	<u>3,152</u>	<u>3,560</u>
Addition	<u>—</u>	<u>157</u>	<u>157</u>
Depreciation charge	<u>(163)</u>	<u>(1,203)</u>	<u>(1,366)</u>
As of December 31, 2021	<u>245</u>	<u>2,106</u>	<u>2,351</u>
As of December 31, 2021 (US\$)	<u>39</u>	<u>331</u>	<u>370</u>

There was no impairment loss on right-of-use assets for the years ended December 31, 2019, 2020 and 2021.

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	<u>Motor vehicles</u>	<u>Offices and warehouse</u>	<u>Total</u>
	CNY	CNY	CNY
(As adjusted)			
As of January 1, 2020	<u>—</u>	<u>1,238</u>	<u>1,238</u>
Addition	<u>490</u>	<u>3,591</u>	<u>4,081</u>
Accretion of interest recognized during the year	<u>12</u>	<u>68</u>	<u>80</u>
Payments	<u>—</u>	<u>(1,849)</u>	<u>(1,849)</u>
As of December 31, 2020	<u>502</u>	<u>3,048</u>	<u>3,550</u>
Analyzed into:			
Current portion	<u>163</u>	<u>1,219</u>	<u>1,382</u>
Non-current portion	<u>339</u>	<u>1,829</u>	<u>2,168</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

14. LEASES (CONTINUED)

(b) Lease liabilities (continued)

	<u>Motor vehicles</u>	<u>Offices and warehouse</u>	<u>Total</u>
	CNY	CNY	CNY
As of January 1, 2021(As adjusted)	<u>502</u>	<u>3,048</u>	<u>3,550</u>
Addition	<u>—</u>	<u>102</u>	<u>102</u>
Accretion of interest recognized during the year	<u>17</u>	<u>133</u>	<u>150</u>
Payments	<u>(364)</u>	<u>(1,249)</u>	<u>(1,613)</u>
As of December 31, 2021	<u>155</u>	<u>2,034</u>	<u>2,189</u>
Analyzed into:			
Current portion	<u>155</u>	<u>826</u>	<u>981</u>
Non-current portion	<u>—</u>	<u>1,208</u>	<u>1,208</u>
As of December 31, 2021 (US\$)	<u>24</u>	<u>321</u>	<u>345</u>
Current portion (US\$)	<u>24</u>	<u>130</u>	<u>154</u>
Non-current portion (US\$)	<u>—</u>	<u>191</u>	<u>191</u>

(c) Lease-related expenses

The amounts recognized in profit or loss in relation to leases are as follows:

	Year Ended December 31,			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		
Depreciation expense of right-of-use assets	<u>1,816</u>	<u>1,663</u>	<u>1,366</u>	<u>215</u>
Interest on lease liabilities	<u>102</u>	<u>80</u>	<u>150</u>	<u>24</u>
Expense relating to short-term leases	<u>445</u>	<u>496</u>	<u>601</u>	<u>95</u>
Total amounts recognized in profit or loss	<u>2,363</u>	<u>2,239</u>	<u>2,117</u>	<u>334</u>

(d) The total cash outflow for leases is disclosed in Note 32(c) to the financial statements.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

15. TRADE AND BILLS RECEIVABLE

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Non-current			
Trade receivables from third parties	<u>35,481</u>	<u>17,033</u>	<u>2,680</u>
Less: Impairment allowance	<u>(3,805)</u>	<u>(7,532)</u>	<u>(1,185)</u>
	<u>31,676</u>	<u>9,501</u>	<u>1,495</u>
Current			
Trade receivables from third parties	<u>39,660</u>	<u>51,608</u>	<u>8,119</u>
Less: Impairment allowance	<u>(9,969)</u>	<u>(10,082)</u>	<u>(1,586)</u>
	<u>29,691</u>	<u>41,526</u>	<u>6,533</u>
Bills receivable	<u>80</u>	<u>—</u>	<u>—</u>
Total	<u>61,447</u>	<u>51,027</u>	<u>8,028</u>

The Group's trade receivables arise from the provision of construction services for wastewater treatment projects, sale of wastewater treatment equipment, and operation service of the service concession arrangement. The majority of the Group's customers are town/village government entities or main contractors of the governmental infrastructure projects whose time of payment for the service or goods received from the Group depend on the appropriation and approval of the fiscal funds. Accordingly, the Group granted various credit terms to different customers, depending on the nature and background of the customers and projects. The Group generally granted customers a credit period of one month to three months, except for some of the customers for construction services, sales of wastewater treatment equipment and maintenance services who will generally settle the amounts owed to the Group in a number of specified installments covering periods ranging from one year to five years. Apart from the trade receivables related to the service concession arrangement which bear no interest, the trade receivables of construction services, operation and maintenance services and sale of wastewater treatment equipment bear an imputed interest rate of 4.75% per annum.

An aging analysis of the trade and bills receivables as of the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Within 1 year	<u>12,167</u>	<u>19,026</u>	<u>2,994</u>
Between 1-2 years	<u>20,125</u>	<u>5,106</u>	<u>803</u>
Between 2-3 years	<u>18,794</u>	<u>12,796</u>	<u>2,013</u>
Over 3 years	<u>10,361</u>	<u>14,099</u>	<u>2,218</u>
Total	<u>61,447</u>	<u>51,027</u>	<u>8,028</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

15. TRADE AND BILLS RECEIVABLE (CONTINUED)

The movement in the loss allowance for trade receivables during the years indicated are as follows:

	December 31,		
	2020 CNY (As adjusted)	2021 CNY	2021 US\$
Beginning of the year	<u>9,230</u>	<u>13,774</u>	<u>2,167</u>
Provision for expected credit loss, net	<u>4,544</u>	<u>3,840</u>	<u>604</u>
End of the year	<u>13,774</u>	<u>17,614</u>	<u>2,771</u>

The Group elected to apply the simplified approach for providing impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables were grouped based on the shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment as of December 31, 2020 and 2021 was determined as follows:

	Current	Within 1 year	1-2 years	Past due		Total
				2-3 years	Over 3 years	
As of December 31, 2020 (As adjusted):						
Expected credit loss rate		5%	12%	11%	45%	18%
Gross carrying amount (CNY)	<u>5,166</u>	<u>7,273</u>	<u>22,826</u>	<u>21,043</u>	<u>18,833</u>	<u>75,141</u>
Impairment allowances (CNY)		<u>352</u>	<u>2,701</u> ⁽ⁱ⁾	<u>2,249</u> ⁽ⁱⁱ⁾	<u>8,472</u> ⁽ⁱⁱⁱ⁾	<u>13,774</u>
As of December 31, 2021:						
Expected credit loss rate		6%	26%	13%	48%	26%
Gross carrying amount (CNY)	<u>3,670</u>	<u>16,311</u>	<u>6,865</u>	<u>14,712</u>	<u>27,083</u>	<u>68,641</u>
Impairment allowances (CNY)		<u>955</u>	<u>1,759</u>	<u>1,916</u> ⁽ⁱⁱ⁾	<u>12,984</u> ⁽ⁱⁱⁱ⁾	<u>17,614</u>
Impairment allowances (US\$)		<u>150</u>	<u>277</u>	<u>301</u>	<u>2,043</u>	<u>2,771</u>

- (i) The impairment allowances included an amount of CNY221 (as adjusted) as of December 31, 2020, for specific trade receivables which were considered to be in default due to conditions which indicated that the Group was unlikely to receive the outstanding contractual amounts in full.
- (ii) The impairment allowances included CNY1,035 (as adjusted) and CNY221 as of December 31, 2020 and 2021, respectively, for specific trade receivables which were considered to be in default due to conditions which indicated that the Group was unlikely to receive the outstanding contractual amounts in full.
- (iii) The impairment allowances included an amount of CNY5,055 (as adjusted) and CNY4,646 as of December 31, 2020 and 2021, respectively, for specific trade receivables which were considered to be in default due to conditions which indicated that the Group was unlikely to receive the outstanding contractual amounts in full.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

16. CONTRACT ASSETS

		January 1,		December 31,	
		2020	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Non-current					
Service concession assets	(a)	<u>75,614</u>	<u>91,412</u>	<u>91,062</u>	<u>14,327</u>
Concession right	(b)	<u>15,895</u>	<u>20,304</u>	<u>—</u>	<u>—</u>
Less: impairment allowance		<u>(23)</u>	<u>(27)</u>	<u>(27)</u>	<u>(4)</u>
		<u>91,486</u>	<u>111,689</u>	<u>91,035</u>	<u>14,323</u>
Current					
Service concession assets	(a)	<u>1,532</u>	<u>7,423</u>	<u>7,423</u>	<u>1,168</u>
Other contract assets	(c)	<u>10,406</u>	<u>7,313</u>	<u>8,443</u>	<u>1,328</u>
Less: impairment allowance		<u>(10)</u>	<u>(178)</u>	<u>(535)</u>	<u>(84)</u>
		<u>11,928</u>	<u>14,558</u>	<u>15,331</u>	<u>2,412</u>
Total		<u>103,414</u>	<u>126,247</u>	<u>106,366</u>	<u>16,735</u>

(a) Service concession assets bearing an imputed interest of 7% arose from the Group's revenue from construction service under a BOT arrangement rendered by the Group's non wholly owned subsidiary, Shaoguan Angrui. The facilities that the service concession arrangement relate to were under construction phases from June 2018 to December 2020 and commenced operation in January 2021.

The amounts for the service concession arrangement are not yet due for payment and will be settled by revenue to be generated during the operating periods of the service concession arrangement. Amounts billed will be transferred to trade receivables.

As of December 31, 2021, the Group's concession rights relating to the environmental water projects (comprising intangible assets, contract assets and trade receivables) with an aggregate gross carrying amount of CNY129,437 (and CNY121,224 (as adjusted) as of December 31, 2020) were pledged to secure bank loans from Bank of Communications with outstanding balances of CNY77,000 (and CNY80,000 (as adjusted) as of December 31, 2020). Please refer to Note 21 for further details.

(b) Concession right represents the intangible assets component arising from performance under the construction contract in connection with the service concession arrangement during the construction phases from June 2018 to December 2020. The accumulated amount transferred to intangible assets when the service concession arrangement commenced operation in January 2021.

(c) The balances as of December 31, 2020 and 2021 comprised contract assets arising from performance under a water treatment plant construction service contract. Such contracts include payment schedules that require stage payments over the service periods when milestones are reached.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (Amounts in thousands, except share and per share data)

16. CONTRACT ASSETS (CONTINUED)

The movements in the provision for impairment of contract assets are as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Beginning of the year	33	205	32
Provision for expected credit loss, net	172	357	56
End of the year	<u>205</u>	<u>562</u>	<u>88</u>

An impairment analysis is performed at each reporting date using the probability-of-default approach to measure expected credit losses. The probability of default rates are estimated based on comparable entities with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As of December 31, 2020 and 2021, the assumed default rate ranged from 0.03% to 29.22% and from 0.03% to 55.93%, respectively.

17. OTHER RECEIVABLES

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Financial assets			
Loans to unrelated companies(i)	—	83,600	13,154
Deposits	1,118	863	135
Others	—	1,000	157
	<u>1,118</u>	<u>85,463</u>	<u>13,446</u>
Staff advance	676	697	110
Others	126	280	44
	<u>802</u>	<u>977</u>	<u>154</u>
Impairment allowance	—	(239)	(38)
Total	<u>1,920</u>	<u>86,201</u>	<u>13,562</u>

(i) The balance as of December 31, 2021 consisted of the loan due from Shenzhen Chaopeng Investment Co., Limited amounting to CNY80,000 and its corresponding interest receivable amounting to CNY3,600. The loan with maturity date of June 30, 2022 is interest bearing at a rate of 9% per annum and guaranteed by Shenzhen Feishang Investment Co., Limited, an unrelated company to the Group.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

17. OTHER RECEIVABLES (CONTINUED)

The movements in the loss allowance for other receivables during the years indicated are as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Beginning of the year	—	—	—
Provision for expected credit loss, net	—	239	38
End of the year	—	239	38

For the financial assets included above, an impairment analysis is performed at each reporting date using the probability-of-default approach to measure expected credit losses. The probability of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forward-looking credit risk information. As of December 31, 2021, the probability of default applied was 0.45%, and the loss given default was 61.6%. The loss allowance for impairment of deposits was minimal.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are set out below as of December 31, 2020 and 2021:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Cash and cash equivalents			
- Cash on hand	<u>70</u>	<u>74</u>	<u>11</u>
- Cash at bank	<u>56,510</u>	<u>58,285</u>	<u>9,171</u>
	<u>56,580</u>	<u>58,359</u>	<u>9,182</u>

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
CNY	<u>52,409</u>	<u>37,333</u>	<u>5,874</u>
US\$	<u>3,944</u>	<u>20,011</u>	<u>3,148</u>
HKS	<u>227</u>	<u>1,015</u>	<u>160</u>
	<u>56,580</u>	<u>58,359</u>	<u>9,182</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. As of December 31, 2020 and 2021, there were no cash and cash equivalents pledged as security for the Group's liabilities.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (Amounts in thousands, except share and per share data)

19. TRADE PAYABLES

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Trade payables	28,621	21,118	3,321

The aging analysis of trade payables as of December 31, 2020 and 2021 is as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Within 1 year	23,754	8,326	1,308
Between 1 and 2 years	2,286	10,030	1,578
Over 2 years	2,581	2,762	435
Total	28,621	21,118	3,321

Trade payables are mainly due to subcontractors of construction services and the vendors of labor service. The trade payables are non-interest-bearing and are normally settled within one year.

20. OTHER PAYABLES AND ACCRUALS

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Financial liabilities			
Accrued expenses	3,791	5,398	849
Deposits from customers	814	505	80
	4,605	5,903	929
Accrued payroll	3,252	2,878	453
Penalties related to income tax	1,576	3,025	475
Taxes other than income tax payable(a)	143	285	45
Others	174	7	1
Total	9,750	12,098	1,903

(a) Taxes other than income taxes payable mainly comprise accruals for value-added tax, city construction tax and education surcharge.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

21. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate	Maturity	December 31,		
			2020 CNY (As adjusted)	2021 CNY	2021 US\$
Non-current interest-bearing loans					
Bank loan-secured and guaranteed	<u>5.05%</u>	<u>2022 to 2038</u>	<u>77,000</u>	<u>74,000</u>	<u>11,643</u>
Current interest-bearing loans					
Bank loan-secured and guaranteed	<u>5.05%</u>	<u>2021 to 2022</u>	<u>3,000</u>	<u>3,000</u>	<u>472</u>
Total			<u>80,000</u>	<u>77,000</u>	<u>12,115</u>

The bank loan is due to the Bank of Communications and denominated in CNY.

The loan is secured by collection right, contract assets, intangible assets and trade receivables in connection with the Group's service concession arrangement (Note 16) and 80% equity interest of the Company's subsidiary, Shaoguan Angrui. The loan is also guaranteed by the Company's subsidiary, Shanghai Onway and Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise"), a related company of the Group.

The outstanding balance as of December 31, 2021 is repayable in equal annual installments of CNY3,000 until December of 2023; CNY4,000 from 2024 to 2028; CNY5,000 from 2029 to 2034; CNY6,000 in 2035; and CNY5,000 from 2036 to 2038.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

22. FINANCIAL INSTRUMENTS*(a) Financial assets*

Set out below is an overview of financial assets, other than cash and short-term deposits, held by the Group as of December 31, 2020 and 2021:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Debt instruments at amortized cost:			
Accounts and bills receivable - current	<u>29,771</u>	<u>41,526</u>	<u>6,533</u>
Accounts and bills receivable - non-current	<u>31,676</u>	<u>9,501</u>	<u>1,495</u>
Financial assets included in other receivables	<u>1,118</u>	<u>85,224</u>	<u>13,408</u>
Due from related companies	<u>123,893</u>	—	—
Financial assets at fair value through profit or loss:			
Listed equity investments (i)	<u>138,674</u>	—	—
Structured deposit (ii)	<u>5,000</u>	—	—
Total	<u><u>330,132</u></u>	<u><u>136,251</u></u>	<u><u>21,436</u></u>
Total current	<u><u>298,456</u></u>	<u><u>126,750</u></u>	<u><u>19,941</u></u>
Total non-current	<u><u>31,676</u></u>	<u><u>9,501</u></u>	<u><u>1,495</u></u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial assets (continued)

- (i) On August 17, 2020, the Company entered into a definitive share purchase agreement with Feishang Group to acquire 120,000,000 shares, or 8.69% of the equity interest in, Feishang Anthracite Resources Limited (“FARL”), a company listed on the Main Board of the Hong Kong Stock Exchange (the “Equity Investment”). In exchange, the Company agreed to issue 9,077,166 of its common shares to Feishang Group at a total transaction price amounting to approximately CNY78,288. The total transaction price of the exchange was based on the average closing price of FARL for the five trading days before August 17, 2020, adjusted for a 27.5% discount in consideration of the impact of a lack of marketability due to the low trading volume of FARL on the Hong Kong Stock Exchange. Upon the completion of the above-mentioned acquisition of shares of FARL and the issuance of the shares of the Company on August 17, 2020, the Company recognized financial assets at fair value through profit or loss amounting to CNY107,340 as they were held for trading.

The fair value of the Equity Investment in FARL was determined with reference to its quoted market prices on the Hong Kong Stock Exchange.

On July 27, 2021, the Company entered into a Sale and Purchase Agreement with Mr. Li Feilie to acquire 100% of the equity interests of PST Technology, and the FARL's shares were included as a part of the consideration transferred to Mr. Li Feilie. Hence, FARL's shares were derecognized on July 27, 2021. Please refer to Note 29 for more information.

The fair value gain/(loss) on the equity investment in FARL for the years ended December 31, 2020 and 2021 was CNY31,334 and CNY (45,816) (US\$(7,209)), respectively.

- (ii) The Company entered into a structured deposit agreement with Bank of Communications pursuant to which the Company made a time deposit with a principal amount of CNY5,000 from December 12, 2020 to June 21, 2021 to receive interest at the higher annual interest rate of 2.75% if the underlying currency pair (EUR/US\$) was trading within a pre-determined range on the expiration date. Otherwise, the Company received interest at the lower interest rate of 1.55%.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial liabilities

Set out below is an overview of financial liabilities of the Group as of December 31, 2020 and 2021:

	December 31, 2020 CNY (As adjusted)	December 31, 2021 CNY	December 31, 2021 US\$
Derivatives not designated as hedging instruments:			
Derivative financial liabilities (i)	—	1,710	269
Financial liabilities at amortized cost:			
Trade payables	28,621	21,118	3,321
Financial liabilities in other payables and accruals	4,605	5,903	929
Dividends payable	—	5,048	794
Lease liabilities	3,550	2,189	345
Due to related companies	79,459	5,710	898
Due to the Shareholder	7,149	14,050	2,211
Interest-bearing loans and borrowings	80,000	77,000	12,115
Total	203,384	132,728	20,882
Total current	124,216	57,520	9,048
Total non-current	79,168	75,208	11,834

- (i) On January 20, 2021, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company issued and sold on January 22, 2021, (i) in a registered direct offering, an aggregate of 3,960,000 of its common shares at a price of US\$1.85 per share, and (ii) in a concurrent private placement, warrants initially exercisable for the purchase of an aggregate of 1,584,000 of its common shares with an initial exercise price of US\$2.35 per share. Refer to Note 25 for further details.

The Company recognized the warrants issued to the investors as derivative financial liabilities (not designated as hedging instruments) with a fair value of CNY9,246 (US\$1,427)* on the issue date as the investors have the right to exercise their warrants on a cashless basis. Per IAS 32, a contract settled by a single net payment (generally referred to as net cash-settled or net equity-settled as the case may be) is a financial liability and not an equity instrument. The fair value gain of CNY7,467 (US\$1,175) for the year ended December 31, 2021 (Note 6) was recognized according to fair value changes for the period from the issue date to December 31, 2021.

* As the changes in equity from this private placement transaction are denominated in US\$, the amount in US\$ is the actual transaction amount and the corresponding amount in CNY was translated from US\$ at the applicable exchange rate of the transaction date, January 22, 2021.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(c) *Fair value*

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	December 31,					
	2020		2021		2021	
	CNY		CNY		US\$	
	(As adjusted)					
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Interest-bearing loans and borrowings	<u>80,000</u>	<u>82,184</u>	<u>77,000</u>	<u>79,003</u>	<u>12,115</u>	<u>12,430</u>
Total	<u>80,000</u>	<u>82,184</u>	<u>77,000</u>	<u>79,003</u>	<u>12,115</u>	<u>12,430</u>

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as of December 31, 2020 and 2021:

As of December 31, 2020 (As adjusted)

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	CNY	CNY	CNY	
Recurring fair value measurement:				
Financial assets				
Structured deposit	—	<u>5,000</u>	—	<u>5,000</u>
Financial assets at fair value through profit or loss	<u>138,674</u>	—	—	<u>138,674</u>
Total financial assets	<u>138,674</u>	<u>5,000</u>	—	<u>143,674</u>

As of December 31, 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	CNY	CNY	CNY	
Recurring fair value measurement:				
Financial liabilities				
Derivative financial liabilities	—	<u>1,710</u>	—	<u>1,710</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (Amounts in thousands, except share and per share data)

22. FINANCIAL INSTRUMENTS (CONTINUED)

(c) *Fair value (continued)*

As of December 31, 2021

	Fair value measurement using			Total US\$
	Quoted prices in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
Recurring fair value measurement:				
Financial liabilities				
Derivative financial liabilities	—	269	—	269

Level 2:

Derivative financial liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

There is no established public trading market for the warrants issued to investors on January 22, 2021. As of December 31, 2021, the Group measured the fair value of those warrants on a recurring basis using a binomial lattice pricing model with significant inputs including the underlying spot price of the Company's common shares, exercise price, time to expiration, risk-free rate and equity volatility, etc., which are all relevant observable inputs.

During the years of 2020 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial instruments of the Group primarily include cash and cash equivalents, financial assets at fair value through profit or loss, trade receivables, other receivables, contract assets, trade payables, other payables, amounts due to related companies, amounts due to the Shareholder, derivative financial liabilities, and interest-bearing loans and borrowings.

The Group is exposed to credit risk, foreign currency risk, business and economic risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial liabilities for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Credit risk

Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. Debts are usually due within 30 to 90 days from the date of billing.

Trade receivables of the Group mainly represent receivables in respect of revenue from construction services for wastewater treatment plant and sales of wastewater treatment equipment which are settled through progress billing and operation services of service concession arrangements which are settled on a quarterly basis. In addition, the Group has contract assets relating to the service concession arrangement and construction service.

As of December 31, 2020, and 2021, "Trade receivables" and "Contract assets" in the aggregate amounted to CNY181,289 and CNY175,569, respectively, of which CNY100,921 and CNY109,737 were due from the largest customer and CNY124,272 and CNY127,415 were due from the five largest customers in the aggregate of the Group, respectively. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since the counterparty to the BOT arrangement is a local government authority in the PRC, the Group considers credit risk low as of December 31, 2020 and 2021. The Group does not hold any collateral over these balances.

Management groups financial instruments based on shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The carrying amount of each financial asset in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganization.

To manage credit risk arising from trade receivables and contract assets, the credit quality of the debtors is assessed, taking into account their financial position, historical settlement records, past experience and other factors. The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The ECLs also incorporated forward-looking information.

For financial assets assessed for impairment under the general approach, the Group established a policy to perform an assessment at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its other receivables into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 – When other receivables are first recognized, the Group recognized an allowance based on 12 months' ECLs.

Stage 2 – When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 – Other receivables are considered credit-impaired. The Group records an allowance for the lifetime ECLs.

Management also makes periodic collective assessments for other receivables and amounts due from related companies as well as individual assessments of the recoverability of other receivables based on historical settlement records, past experience and other factors. The Group classified other receivables and amounts due from related companies in Stage 1 and continuously monitored their credit risk. Management believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables as of December 31, 2019, 2020 and 2021.

The Group does not provide any guarantees that would expose the Group to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from financial assets are set out in Notes 15, 16, 17 and 26 to the financial statements.

Cash and cash equivalents

The Group maintains its cash and cash equivalents primarily with various PRC state-owned banks and Hong Kong based financial institutions, which management believes are of high credit quality. The Group performs periodic evaluations of the relative credit standing of those financial institutions.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

Foreign currency risk primarily arises from certain significant foreign currency deposits denominated in US\$ and HK\$ and related exposures are disclosed in note 18. The Group Treasury closely monitors the international foreign currency market on the change of exchange rates and takes these into consideration when investing in foreign currency deposits and borrowing loans.

The CNY is not freely convertible into foreign currencies. The State Administration for Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the CNY into foreign currencies. The value of the CNY is subject to changes in PRC government policies and to international economic and political developments affecting the supply and demand in the China Foreign Exchange Trading System market. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

As of December 31, 2021, the Group only had significant exposure to US\$. If CNY had strengthened/weakened by 5% against US\$ with all other variables held constant, the loss for the year would have been approximately CNY 1,001 higher/lower (CNY197 higher/lower for the year ended December 31, 2020), mainly as a result of foreign exchange gains and losses arising from translation of US\$-denominated deposits. Profit was more sensitive to the fluctuation in the RMB/US\$ exchange rates in 2021 than in 2020, mainly due to the increase in the US\$ denominated cash deposits.

(c) Interest rate risk

The fair value interest rate risk of the Group mainly arises from long-term loans at fixed rates (see Note 21). As the fluctuation of comparable interest rate (Loan Prime Rate of PRC market) with similar term was relatively low, the Directors are of the opinion that the Group is not exposed to any significant fair value interest rate risk for its fixed interest rate borrowings held as of December 31, 2020 and 2021.

(d) Business and economic risk

The Group's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 40 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the political, economic and social conditions in the PRC. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

(e) Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, and adequate time deposits to meet its liquidity requirements in the short and long term.

The table below summarizes the maturity profile of the Group's financial liabilities and lease liabilities based on contractual undiscounted payments:

December 31, 2020 (As adjusted)	On demand CNY	Less than 1 year CNY	1 to 5 years CNY	More than 5 years CNY	Total CNY
Trade payables	—	28,621	—	—	28,621
Financial liabilities in other payables and accruals	—	4,605	—	—	4,605
Due to related companies	—	79,459	—	—	79,459
Due to the Shareholder	—	7,149	—	—	7,149
Lease liabilities	—	1,421	2,292	—	3,713
Interest-bearing loans and borrowings	—	7,036	28,528	85,286	120,850
	—	128,291	30,820	85,286	244,397

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) *Liquidity risk (continued)*

December 31, 2021	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	CNY	CNY	CNY	CNY	CNY
Derivative financial liabilities	1,710	—	—	—	1,710
Trade payables	—	21,118	—	—	21,118
Financial liabilities in other payables and accruals	—	5,903	—	—	5,903
Due to related companies	—	5,710	—	—	5,710
Due to the Shareholder	—	14,050	—	—	14,050
Lease liabilities	—	1,047	1,354	—	2,401
Interest-bearing loans and borrowings	—	6,882	28,792	78,139	113,813
	<u>1,710</u>	<u>54,710</u>	<u>30,146</u>	<u>78,139</u>	<u>164,705</u>

December 31, 2021	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	US\$	US\$	US\$	US\$	US\$
Derivative financial liabilities	269	—	—	—	269
Trade payables	—	3,321	—	—	3,321
Financial liabilities in other payables and accruals	—	929	—	—	929
Due to related companies	—	898	—	—	898
Due to the Shareholder	—	2,211	—	—	2,211
Lease liabilities	—	165	213	—	378
Interest-bearing loans and borrowings	—	1,083	4,530	12,294	17,907
	<u>269</u>	<u>8,607</u>	<u>4,743</u>	<u>12,294</u>	<u>25,913</u>

(f) *Capital management*

The Group monitors capital on the basis of the debt to capital ratio (gearing ratio), which is calculated as interest-bearing debt divided by total capital. Interest-bearing debt mainly includes lease liabilities and interest-bearing loans and borrowings. Capital includes total equity and interest-bearing debt. The gearing ratio was 22.26% (as adjusted) as of December 31, 2020 and 30.31% as of December 31, 2021, respectively.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

24. DEFERRED TAX ASSETS AND LIABILITIES

(a) *Deferred tax balance*

Net deferred tax assets and liabilities recognized in the consolidated statement of financial position are as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Deferred tax assets	<u>5,624</u>	<u>3,291</u>	<u>517</u>
Offset amount	<u>(2,704)</u>	<u>(3,225)</u>	<u>(507)</u>
Deferred tax assets after offsetting	<u>2,920</u>	<u>66</u>	<u>10</u>
Deferred tax liabilities before offsetting	<u>13,130</u>	<u>5,769</u>	<u>908</u>
Offset amount	<u>(2,704)</u>	<u>(3,225)</u>	<u>(507)</u>
Deferred tax liabilities after offsetting	<u>10,426</u>	<u>2,544</u>	<u>401</u>

(b) *Gross movement on the deferred tax account*

The gross movement on the deferred income tax accounts is as follows:

	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
As of January 1	<u>(2,982)</u>	<u>7,506</u>	<u>1,182</u>
Charged/(credited) to other capital reserve (i)	<u>4,794</u>	<u>(4,463)</u>	<u>(702)</u>
Charged/(credited) to the statement of profit or loss during the year (Note 8)	<u>5,694</u>	<u>(159)</u>	<u>(25)</u>
Currency translation differences	<u>—</u>	<u>(406)</u>	<u>(64)</u>
As of December 31	<u>7,506</u>	<u>2,478</u>	<u>391</u>

- (i) Upon the completion of the Equity Investment (Note 22.1 (a) (i)) on August 17, 2020, the Company recognized a deferred tax liability associated with the difference between the fair value of 120,000,000 shares of FARL acquired and the total transaction price based on the statutory tax rate of 16.5% and charged the impact to other capital reserves. Upon the completion of the acquisition of PST Technology (Note 29) on July 27, 2021, the corresponding deferred tax liability was reversed through other capital reserves along with the transfer of 120,000,000 shares of FARL, as part of the acquisition consideration.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

24. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(c) *Deferred tax assets*

The components of deferred tax assets and their movements during the years indicated, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows:

	Provision for loss allowance	Significant financing component of the contract with customers	Lease liabilities	Losses available for offsetting against future taxable profits	Total
	CNY	CNY	CNY		CNY
(As adjusted)					
As of January 1, 2020	<u>2,731</u>	<u>1,668</u>	<u>54</u>	<u>—</u>	<u>4,453</u>
Credited/(charged) to the statement of profit or loss during the year	<u>1,041</u>	<u>(430)</u>	<u>560</u>	<u>—</u>	<u>1,171</u>
As of December 31, 2020	<u>3,772</u>	<u>1,238</u>	<u>614</u>	<u>—</u>	<u>5,624</u>
As of January 1, 2021 (As adjusted)	<u>3,772</u>	<u>1,238</u>	<u>614</u>	<u>—</u>	<u>5,624</u>
(Charged)/credited to the statement of profit or loss during the year	<u>(1,629)</u>	<u>(698)</u>	<u>(160)</u>	<u>154</u>	<u>(2,333)</u>
As of December 31, 2021	<u>2,143</u>	<u>540</u>	<u>454</u>	<u>154</u>	<u>3,291</u>
As of December 31, 2021 US\$	<u>337</u>	<u>85</u>	<u>71</u>	<u>24</u>	<u>517</u>

(d) *Deferred tax liabilities*

The components of deferred tax liabilities and their movements during the years indicated, without taking into consideration the offsetting of balances within the same tax jurisdictions, are as follows:

	Financial asset at fair value through profit or loss	Temporary difference on assets recognized under IFRIC 12	Right-of-use assets	Total
	CNY	CNY	CNY	CNY
(As adjusted)				
As of January 1, 2020	<u>—</u>	<u>1,405</u>	<u>66</u>	<u>1,471</u>
Charged to the statement of profit or loss during the year	<u>5,170</u>	<u>1,141</u>	<u>554</u>	<u>6,865</u>
Charged to other capital reserves	<u>4,794</u>	<u>—</u>	<u>—</u>	<u>4,794</u>
As of December 31, 2020	<u>9,964</u>	<u>2,546</u>	<u>620</u>	<u>13,130</u>
As of January 1, 2021 (As adjusted)	<u>9,964</u>	<u>2,546</u>	<u>620</u>	<u>13,130</u>
(Credited)/charged to the statement of profit or loss during the year	<u>(5,095)</u>	<u>2,724</u>	<u>(121)</u>	<u>(2,492)</u>
Credit to other capital reserves	<u>(4,463)</u>	<u>—</u>	<u>—</u>	<u>(4,463)</u>
Foreign exchange difference	<u>(406)</u>	<u>—</u>	<u>—</u>	<u>(406)</u>
As of December 31, 2021	<u>—</u>	<u>5,270</u>	<u>499</u>	<u>5,769</u>
As of December 31, 2021 US\$	<u>—</u>	<u>829</u>	<u>79</u>	<u>908</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

24. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(e) Deferred tax not recognized

As of December 31, 2019, 2020 and 2021, the total amounts of deductible temporary differences and unused tax losses for which no deferred tax assets were recognized in respect of certain deductible temporary differences and accumulated tax losses of the Company's subsidiaries established in Mainland China that can be carried forward against future taxable income are as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Deductible temporary differences with no deferred tax assets recognized	<u>1,800</u>	<u>13,148</u>	<u>2,069</u>
Tax losses with no deferred tax assets recognized	<u>10,658</u>	<u>16,536</u>	<u>2,597</u>
Total	<u><u>12,458</u></u>	<u><u>29,684</u></u>	<u><u>4,666</u></u>

(f) Expiration dates of the losses

The expiration dates of the tax losses of the Group for which no deferred tax assets were recognized are summarized as follows:

	December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	(As adjusted)		
Year of expiration			
2021	<u>1,171</u>	<u>—</u>	<u>—</u>
2022	<u>1,065</u>	<u>1,065</u>	<u>168</u>
2023	<u>2,318</u>	<u>2,318</u>	<u>365</u>
2024	<u>1,835</u>	<u>1,835</u>	<u>289</u>
2025	<u>4,237</u>	<u>4,237</u>	<u>667</u>
2026	<u>—</u>	<u>7,040</u>	<u>1,108</u>
Total	<u><u>10,626</u></u>	<u><u>16,495</u></u>	<u><u>2,597</u></u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

25. EQUITY

(a) *Issued capital*

	<u>January 1,</u>	<u>December 31,</u>	
	<u>2020</u>	<u>2020</u>	<u>2021</u>
	CNY	CNY	US\$
	(As adjusted)	(As adjusted)	
Authorized:			
10,000,000 preferred shares, no par value	—	—	—
200,000,000 common shares, no par value	—	—	—
Common shares issued and fully paid:			
December 31, 2021: 40,948,082 (December 31, 2020: 36,988,082 (as adjusted)) common shares, no par value	<u>340,875</u>	<u>419,091</u>	<u>70,924</u>

A summary of movements in the Company's share capital is as follows:

	<u>Number of shares</u>	<u>Share capital</u>	
		CNY	US\$
(As adjusted)			
As of January 1, 2020	<u>27,910,916</u>	<u>340,875</u>	<u>53,631</u>
Issuance of shares (Note 22)	<u>9,077,166</u>	<u>78,216</u>	<u>12,306</u>
As of December 31, 2020 and January 1, 2021 (As adjusted)	<u>36,988,082</u>	<u>419,091</u>	<u>65,937</u>
Common shares issued through private placement	<u>3,960,000</u>	<u>31,691</u>	<u>4,987</u>
As of December 31, 2021	<u>40,948,082</u>	<u>450,782</u>	<u>70,924</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

25. EQUITY (CONTINUED)

(a) Issued capital (continued)

Common shares issued through private placement

On January 20, 2021, the Company entered into a securities purchase agreement with certain institutional investors, pursuant to which the Company issued and sold on January 22, 2021, (i) in a registered direct offering, an aggregate of 3,960,000 of its common shares at a price of US\$1.85 per share, and (ii) in a concurrent private placement, warrants initially exercisable for the purchase of an aggregate of 1,584,000 of its common shares with an initial exercise price of US\$2.35 per share, for gross proceeds of approximately CNY47,484 (US\$7,326*), before deducting fees to the placement agent and other estimated offering expenses payable by the Company.

The Company recognized the warrants issued to the investors as derivative financial liabilities (Note 22(b)) at the fair value of the warrants on the issue date, which amounted to CNY9,246 (US\$1,427*), as the investors have the right to exercise their warrants on a cashless basis according to the agreement clause. Per IAS 32, a contract settled by a single net payment (generally referred to as net cash-settled or net equity-settled as the case may be) is a financial liability and not an equity instrument. The gross proceeds of this offering less the fair value of warrants issued to investors amounted to CNY38,238 (US\$5,899*) and was recorded in share capital.

Upon the closing of this offering and the private placement, the Company paid or committed to pay fees and offering expenses of CNY5,815 (US\$898*), which consists of 8% of gross proceeds and certain expenses reimbursements to the placement agent in cash and the offering expenses related to other professional services. The total amount of fees and offering expenses was allocated to the issuance of common shares and investor warrants according to their fair value at the date of issuance. The amount allocated to the issuance of the shares of CNY4,685 (US\$723*) was charged directly to equity as a reduction in share capital. The amount allocated to the issuance of investor warrants of CNY1,130 (US\$175*) was expensed and is included in administrative expenses.

* As the changes in equity from this private placement transaction are denominated in US\$, all the amounts in US\$ in this disclosure paragraph are actual transaction amounts and corresponding amounts in CNY were translated from US\$ at the applicable exchange rate on the transaction date, January 22, 2021.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

25. EQUITY (CONTINUED)

(b) Other capital reserves

	Other capital reserves	
	CNY	US\$
(As adjusted)		
As of January 1, 2020	<u>763,729</u>	<u>120,161</u>
Issuance of shares (Note 22(a))	<u>24,258</u>	<u>3,816</u>
As of December 31, 2020	<u>787,987</u>	<u>123,977</u>
As of January 1, 2021 (As adjusted)	<u>787,987</u>	<u>123,977</u>
Deemed distribution to the controlling shareholder (Note 29)	<u>(75,651)</u>	<u>(11,902)</u>
Equity-settled share-based payment (Note 27)	<u>2,311</u>	<u>364</u>
Others (i)	<u>4,463</u>	<u>702</u>
As of December 31, 2021	<u>719,110</u>	<u>113,141</u>

Other capital reserves of the Company are mainly for equity-settled share-based compensation, the exercise of stock options, the exercise of warrants, the business combination and the deemed contribution from the Shareholder of the Company and related companies.

(i) Upon the completion of the acquisition (Note 29) on July 27, 2021, the deferred tax liability relating to the FARL's shares was reversed through other capital reserves. For details, please refer to Note 24(b).

(c) Dividend restrictions and reserves

Due to the Group's structure, the payment of dividends is subject to numerous controls imposed under PRC law, including foreign exchange control on the conversion of the local currency into U.S. dollars and other currencies.

In accordance with the relevant PRC regulations, appropriations of net income as reflected in its PRC statutory financial statements are to be allocated to each of the general reserve and enterprise expansion reserve, respectively, as determined by the resolution of the Board of Directors annually.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

26. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related companies:

(a) *Commercial transactions with related companies*

	Notes	Year Ended December 31,			
		2019	2020	2021	2021
		CNY (As adjusted)	CNY (As adjusted)	CNY	US\$
Interest income received from Feishang Enterprise ^(a)	(i)	<u>6,792</u>	<u>6,792</u>	<u>3,396</u>	<u>534</u>
CHNR's share of office rental, rates and others to Anka Consultants Limited ("Anka") ^(b)	(ii)	<u>1,506</u>	<u>1,368</u>	<u>1,343</u>	<u>211</u>
Feishang Management's share of office rental to Feishang Enterprise ^(a)	(iii)	<u>166</u>	<u>166</u>	<u>166</u>	<u>26</u>
Shenzhen New PST's share of office rental to Feishang Enterprise ^(a)	(iv)	<u>90</u>	<u>90</u>	<u>90</u>	<u>14</u>

- (i) The Company's subsidiary, Shanghai Onway entered into a series of contracts to provide a loan amounting to CNY80,000 at an interest rate of 9% per annum to Feishang Enterprise from March 2, 2018 to June 30, 2021.
- (ii) The Company signed a contract with Anka to lease 184 square meters of office premises for two years, from July 1, 2018 to June 30, 2020, and extended to June 30, 2022. The agreement also provides that the Company shares certain costs and expenses in connection with its use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration services provided by Anka.
- (iii) On January 1, 2018, Feishang Management signed an office-sharing agreement with Feishang Enterprise. Pursuant to the agreement, Feishang Management shares 40 square meters of office premises for 33 months. Feishang Management signed a new contract with Feishang Enterprise in October 2021, which will expire on September 30, 2022.
- (iv) Shenzhen New PST signed a contract with Feishang Enterprise to lease 96 square meters of office premises annually. The latest contract is from March 14, 2021 to March 13, 2022.

(b) *Other transactions with related parties*

On April 28, 2021, the Company's subsidiary, China Coal entered into an equity transfer agreement to transfer 100% of the equity interests of Yangpu Lianzhong Mining Co., Ltd ("Yangpu Lianzhong") for total consideration of CNY103,767 (US\$16,326) to the Company's related party, Feishang Energy^(a); refer to Note 28 for further details.

On July 27, 2021, the Company entered into a sale and purchase agreement with Mr. Li Feilie, pursuant to which the Company acquired 100% of the equity interests of PST Technology and assumed the outstanding indebtedness owed to Mr. Li Feilie amounting to CNY129,958 (US\$20,159), refer to Note 29 for further details.

- (a) Feishang Enterprise, Feishang Group and Feishang Energy are controlled by Mr. Li Feilie, who is the controlling shareholder of the Company.
- (b) Anka is jointly owned by Mr. Wong Wah On Edward and Mr. Tam Cheuk Ho, who are officers of the Company.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

26. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(c) *Balances with related companies*

The Group's balances with related companies are unsecured and non-interest bearing. Feishang Enterprise and the Shareholder have provided letters stating their continuous financial support to the Group and that they will not recall any amounts due to them until the Group has sufficient liquidity to finance its operations. The balances are summarized as follows:

	December 31,		
	2020 CNY (As adjusted)	2021 CNY	2021 US\$
Current:			
Receivables from related companies:			
Xizang Xingwang Investment Co., Ltd. ("Xizang Xingwang") ^(d,iv)	44,668	—	—
Feishang Enterprise ^(a,v)	79,225	—	—
	<u>123,893</u>	<u>—</u>	<u>—</u>
Payable to related companies:			
Feishang Enterprise ^(a,i)	6,646	3,019	475
Anka Capital Limited ("Anka Capital") ^(b,iii)	2,780	2,691	423
Qianhai Industrial ^(c,vi)	70,033	—	—
	<u>79,459</u>	<u>5,710</u>	<u>898</u>
Payable to the Shareholder:			
Feishang Group ^(a,ii)	7,149	14,050	2,211
	<u>7,149</u>	<u>14,050</u>	<u>2,211</u>
Dividend payables to related companies:			
Qianhai Industrial ^(c,vii)	—	5,048	794
	<u>—</u>	<u>5,048</u>	<u>794</u>
Lease liabilities to related parties:			
Anka ^(b)	1,092	372	59
	<u>1,092</u>	<u>372</u>	<u>59</u>

- (a) Feishang Enterprise and Feishang Group are controlled by Mr. Li Feilie, who is the controlling shareholder of the Company.
- (b) Anka Capital and Anka are each jointly owned by Mr. Wong Wah On Edward and Mr. Tam Cheuk Ho, who are officers of the Company.
- (c) Qianhai Industrial is controlled by Mr. Li Feilie, who is the controlling shareholder of the Company.
- (d) Xizang Xingwang is controlled by Mr. Li Feilie, who is the controlling shareholder of the Company.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

26. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

(d) Balances with related parties

- (i) The payable to Feishang Enterprise by Feishang Management represents the net amount of advances from Feishang Enterprise. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (ii) The payable to Feishang Group represents the net amount of advances from Feishang Group. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (iii) The payable to Anka Capital by CHNR represents the net amount of advances from Anka Capital. The balance is unsecured and interest-free. The balance is repayable when the Group is in a position to settle the amounts due without having a detrimental impact on the financial resources of the Group.
- (iv) The receivable due from Xizang Xingwang as of December 31, 2020 represents an unsecured and interest-free loan amounting to CNY45,000 provided by Shenzhen Qianhai, and the corresponding expected credit loss allowance as of December 31, 2020 was CNY332. Shenzhen Qianhai received full repayment of the CNY45,000 from Xizang Xingwang on May 17, 2021.
- (v) The receivable due from Feishang Enterprise as of December 31, 2020 represents a loan provided by Shanghai Onway with a principal amount of CNY80,000 at interest rate of 9% per annum, and the corresponding expected credit loss allowance as of December 31, 2020 was CNY775. On July 1, 2021, Feishang Enterprise repaid the outstanding amount owed to the Group through Shenzhen Qianhai, the direct parent of Shanghai Onway.
- (vi) The payable to Qianhai Industrial by Shenzhen Qianhai represents the net balance of advances from Qianhai Industrial. The balance is unsecured and interest-free. During the year ended December 31, 2021, Shenzhen Qianhai repaid CNY50,148 in cash. The remaining indebtedness amounting to CNY19,958 was changed to an indebtedness owed to the Company through the acquisition of PST Technology in July 2021, refer to Note 29 for further details.
- (vii) The dividend payable to Qianhai Industrial represents the declared but unpaid dividend that was approved at the shareholder meeting of Shenzhen Qianhai on June 22, 2021, prior to the acquisition of PST Technology and its subsidiaries by the Group.

(e) Compensation of key management personnel of the Group

	Year Ended December 31,		
	2020	2021	2021
	CNY	CNY	US\$
	<i>(As adjusted)</i>		
Wages, salaries and allowances	<u>1,386</u>	<u>1,154</u>	<u>182</u>
Housing subsidies	<u>17</u>	<u>17</u>	<u>3</u>
Contribution to pension plans	<u>79</u>	<u>68</u>	<u>11</u>
	<u>1,482</u>	<u>1,239</u>	<u>196</u>

The amounts disclosed in the table are the amounts recognized as expenses during the respective period related to key management personnel.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

27. SHARE-BASED PAYMENTS

The issuance of warrants to the placement agent

As mentioned in Note 25 (a), in addition to the fees and offering expenses paid in cash to the placement agent for the January 2021 registered offering and private placement, the Group issued warrants to the placement agent. These warrants were initially exercisable for the purchase of an aggregate of 396,000 common shares of the Company with an initial exercise price of US\$2.35 per share (the “agent warrants”) on substantially the same terms as the warrants issued to investors, except that the agent warrants became exercisable on July 22, 2021, 180 days after the issue date. The issuance of the agent warrants is an equity-settled share-based payment for professional services received from the placement agent. The Company recognized other capital reserves in an amount of CNY2,311 (US\$357*), the fair value of agent warrants as of the issuance date. The fair value of services recorded is not used since it cannot be reliably estimated. The amount was allocated to the issuance of the common shares and investor warrants according to their fair value at the date of issuance, and CNY1,862 (US\$287*) and CNY449 (US\$70*) were charged to share capital and administrative expenses, respectively.

The fair value of the agent warrants is estimated at the issue date using a binomial lattice pricing model using significant inputs including the underlying spot price of the Company’s common shares, exercise price, time to expiration, risk-free rate and equity volatility, etc.

* As the changes in equity from this private placement transaction are denominated in US\$, all the amounts in US\$ in this disclosure paragraph are actual transaction amounts and the corresponding amounts in CNY were translated from US\$ at the applicable exchange rate on the transaction date, January 22, 2021.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

28. DISPOSAL OF A SUBSIDIARY

On April 28, 2021, the Company's subsidiary, China Coal entered into an equity transfer agreement to transfer 100% of the equity interests of Yangpu Lianzhong for a total consideration of CNY103,767 (US\$16,326) to the Company's related party, Shenzhen Feishang Energy Investment Co., Limited ("Feishang Energy").

At the date of disposal, the carrying values of the net assets of the subsidiary disposed of were as follows:

	Date of disposal	
	CNY	US\$
Other receivables	<u>114,766</u>	<u>18,057</u>
Cash and cash equivalents	<u>263</u>	<u>41</u>
Other payables and accruals	<u>(1,062)</u>	<u>(167)</u>
Taxes payable	<u>(10,200)</u>	<u>(1,605)</u>
Net assets subject to disposal	<u>103,767</u>	<u>16,326</u>
Consideration	<u>103,767</u>	<u>16,326</u>
Net impact	<u>—</u>	<u>—</u>

The disposal consideration receivable was fully realized by offsetting amounts due to Feishang Energy under a series of creditor right transfer agreements.

An analysis of the cash flow in respect of the disposal of Yangpu Lianzhong is as follows:

	CNY	US\$
Cash consideration	<u>—</u>	<u>—</u>
Cash and bank balances disposed	<u>(263)</u>	<u>(41)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(263)</u>	<u>(41)</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

29. BUSINESS COMBINATION UNDER COMMON CONTROL

Acquisition of 100% equity interest in PST Technology.

On July 27, 2021, the Company entered into a sale and purchase agreement with Mr. Li Feilie, pursuant to which the Company acquired 100% of the equity interests of PST Technology and assumed the outstanding indebtedness owed to Mr. Li Feilie amounting to CNY129,958 (US\$20,159), of which CNY19,958 (US\$3,096) was due from Shenzhen Qianhai before December 31, 2020 and CNY110,000 (US\$17,063) was a financial support provided by Mr. Li Feilie to Shenzhen New PST, which acquired 100% of the equity interest of Shenzhen Qianhai on July 6, 2021. The considerations consisted of: (1) 3,000,000 newly issued restricted common shares of the Company at a fair value of CNY28,794 (US\$4,530); (2) 120,000,000 shares (an 8.69% equity interest) of FARL held by the Company at a fair value of CNY85,312 (US\$13,423); and (3) cash of CNY10,297 (US\$1,597). PST Technology, through its wholly owned subsidiaries, owns a 51% equity interests in Shanghai Onway, which is principally engaged in sales of assembled equipment, the provision of construction services and participating in PPP projects as operator.

PST Technology was controlled by Mr. Li Feilie. Subsequent to the acquisition, the Company obtained control of PST Technology. Before and after the acquisition, both PST Technology and the Company were and ultimately controlled by Mr. Li Feilie, and the control is not temporary. Thus, the acquisition of 100% of the equity interests in PST Technology was considered to be a business combination under common control. The transaction was closed on July 27, 2021, the date that the Group obtained control of PST Technology.

The acquisition of PST Technology was accounted for as a combination of entities under common control by using the pooling of interests method and the comparative consolidated financial statements were restated as if PST Technology was part of the Group at the beginning of the reporting period. The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the later of: (i) the earliest date presented; or (ii) the date when the combining entities or businesses first came under common control. The consideration paid by the Company for the acquisition has been accounted for as a deemed distribution in the consolidated statement of changes in equity. FARL's shares and the cash consideration paid to Mr. Li Feilie were accounted for as a deemed distribution to the controlling shareholder on the closing date of the transaction.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

30. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Financial information of the subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2020	2021
Shanghai Onway	PRC/Mainland China	49%	49%

	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
	(As adjusted)	(As adjusted)		

Loss for the year allocated to non-controlling interests:

Shanghai Onway	(4,886)	(1,415)	(6,819)	(1,073)
----------------	---------	---------	---------	---------

Dividends paid to non-controlling interests:

Shanghai Onway	—	—	4,900	771
----------------	---	---	-------	-----

Accumulated balances of non-controlling interest:

Shanghai Onway	120,487	119,072	107,353	16,890
----------------	---------	---------	---------	--------

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

30. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The summarized financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

2021	Shanghai Onway	
	CNY	US\$
Revenue	<u>18,735</u>	<u>2,948</u>
Total expenses	<u>(32,312)</u>	<u>(5,084)</u>
Loss for the year	<u>(13,577)</u>	<u>(2,136)</u>
Total comprehensive loss for the year	<u>(13,577)</u>	<u>(2,136)</u>
Current assets	<u>187,619</u>	<u>29,519</u>
Non-current assets	<u>126,573</u>	<u>19,914</u>
Current liabilities	<u>(40,716)</u>	<u>(6,406)</u>
Non-current liabilities	<u>(40,259)</u>	<u>(6,334)</u>
Net cash flows used in operating activities	<u>(8,758)</u>	<u>(1,378)</u>
Net cash flows used in investing activities	<u>(1,509)</u>	<u>(237)</u>
Net cash flows used in financing activities	<u>(3,972)</u>	<u>(625)</u>
Effect of foreign exchange rate changes, net	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	<u>(14,239)</u>	<u>(2,240)</u>
2020	Shanghai Onway	
	CNY	US\$
Revenue	<u>35,631</u>	<u>5,606</u>
Total expenses	<u>(38,362)</u>	<u>(6,036)</u>
Loss for the year	<u>(2,731)</u>	<u>(430)</u>
Total comprehensive loss for the year	<u>(2,731)</u>	<u>(430)</u>
Current assets	<u>192,437</u>	<u>30,277</u>
Non-current assets	<u>153,073</u>	<u>24,084</u>
Current liabilities	<u>(47,445)</u>	<u>(7,465)</u>
Non-current liabilities	<u>(34,542)</u>	<u>(5,435)</u>
Net cash flows used in operating activities	<u>(44,883)</u>	<u>(7,062)</u>
Net cash flows used in investing activities	<u>(5,608)</u>	<u>(882)</u>
Net cash flows from financing activities	<u>48,688</u>	<u>7,660</u>
Effect of foreign exchange rate changes, net	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	<u>(1,803)</u>	<u>(284)</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

30. PARTLY OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

2019	Shanghai Onway	
	CNY	US\$
Revenue	<u>134,210</u>	<u>21,116</u>
Total expenses	<u>(120,264)</u>	<u>(18,922)</u>
Profit for the year	<u>13,946</u>	<u>2,194</u>
Total comprehensive income for the year	<u>13,946</u>	<u>2,194</u>
Net cash flows used in operating activities	<u>(27,121)</u>	<u>(4,267)</u>
Net cash flows used in investing activities	<u>(2,648)</u>	<u>(417)</u>
Net cash flows from financing activities	<u>43,109</u>	<u>6,783</u>
Effect of foreign exchange rate changes, net	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	<u>13,340</u>	<u>2,099</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

31. RESTATEMENT

The Company's acquisition of PST Technology (as detailed in Note 29) in 2021 was accounted for as a combination of entities under common control since the Company and PST Technology were under the common control of Mr. Li Feilie. The consolidated statements of financial position as of January 1, 2020, December 31, 2020 and December 31, 2021 were restated to present the assets and liabilities of the subsidiaries using the existing book values from the controlling shareholder's perspective. The consolidated financial statements of the Group prior to acquisition were restated to include the results of operations of PST Technology and its subsidiaries on a combined basis when the entities first came under the common control of Mr. Li Feilie.

As a result of the acquisition of PST Technology, the relevant line items in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019, the consolidated statements of financial position as of December 31, 2020 and January 1, 2020, and the consolidated statements of changes in equity for the years ended December 31, 2020 and 2019 were restated as follows:

Consolidated statement of profit or loss	Year Ended December 31, 2020		
	The Group (as previously reported)	Adjustment in relation to acquisition of PST Technology	The Group (As adjusted)
	CNY	CNY	CNY
Revenue	6,867	35,631	42,498
Cost of sales	(6,854)	(32,361)	(39,215)
Selling and distribution expenses	(2)	(756)	(758)
Administrative expenses	(7,140)	(11,713)	(18,853)
Other operating income	—	1,616	1,616
Impairment losses	—	(4,162)	(4,162)
Finance costs	(60)	(3,689)	(3,749)
Finance income	18	15,450	15,468
Income tax benefit/(expense)	1,416	(2,674)	(1,258)
Profit/(loss) for the year	<u>25,579</u>	<u>(2,658)</u>	<u>22,921</u>
Consolidated statement of changes in equity:			
Equity attributable to owners of the Company	<u>101,202</u>	<u>71,525</u>	<u>172,727</u>
Loss per share attributable to ordinary equity holder of the Company:			
Basic and diluted			
- Earnings/(loss) per share	<u>0.90</u>	<u>(0.12)</u>	<u>0.78</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

31. RESTATEMENT (CONTINUED)

Consolidated statement of profit or loss	Year Ended December 31, 2019		
	The Group (as previously reported)	Adjustment in relation to acquisition of PST Technology	The Group (As adjusted)
	CNY	CNY	CNY
Revenue	12,969	134,210	147,179
Cost of sales	(12,752)	(119,389)	(132,141)
Selling and distribution expenses	(2)	(826)	(828)
Administrative expenses	(5,814)	(14,090)	(19,904)
Other operating income	—	1,431	1,431
Impairment losses on financial assets	—	(9,367)	(9,367)
Impairment loss on intangible assets	—	(16,662)	(16,662)
Impairment loss on goodwill	—	(31,478)	(31,478)
Finance costs	(62)	(278)	(340)
Finance income	16	12,792	12,808
Income tax benefit	—	1,374	1,374
Profit/(loss) for the year	<u>(5,645)</u>	<u>(42,283)</u>	<u>(47,928)</u>
Consolidated statement of changes in equity:			
Equity attributable to owners of the Company	<u>(27,554)</u>	<u>72,768</u>	<u>45,214</u>
Loss per share attributable to ordinary equity holders of the Company:			
Basic and diluted			
- Earnings/(loss) per share	<u>0.23</u>	<u>(1.77)</u>	<u>(1.54)</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (Amounts in thousands, except share and per share data)

31. RESTATEMENT (CONTINUED)

Consolidated statement of financial position	December 31, 2020		
	The Group (as previously reported)	Adjustment in relation to acquisition of PST Technology	The Group (As adjusted)
	CNY	CNY	CNY
Non-current assets	1,237	150,454	151,691
Current assets	141,191	237,174	378,365
Total assets	142,428	387,628	530,056
Current liabilities	30,915	117,748	148,663
Non-current liabilities	10,311	79,283	89,594
Total liabilities	41,226	197,031	238,257
Issued capital	390,297	28,794	419,091
Other capital reserves	716,776	71,211	787,987
Accumulated losses	(1,002,705)	(28,482)	(1,031,187)
Other comprehensive (loss)/income	(3,166)	2	(3,164)
Equity attributable to owners of the Company	101,202	71,525	172,727
Non-controlling interests	—	119,072	119,072
Total equity	101,202	190,597	291,799
Consolidated statement of financial position	January 1, 2020		
	The Group (as previously reported)	Adjustment in relation to acquisition of PST Technology	The Group (As adjusted)
	CNY	CNY	CNY
Non-current assets	830	125,110	125,940
Current assets	7,468	261,552	269,020
Total assets	8,298	386,662	394,960
Current liabilities	35,852	163,257	199,109
Non-current liabilities	—	30,150	30,150
Total liabilities	35,852	193,407	229,259
Issued capital	312,081	28,794	340,875
Other capital reserves	692,518	71,211	763,729
Accumulated losses	(1,028,284)	(27,239)	(1,055,523)
Other comprehensive (loss)/income	(3,869)	2	(3,867)
Equity attributable to owners of the Company	(27,554)	72,768	45,214
Non-controlling interests	—	120,487	120,487
Total equity	(27,554)	193,255	165,701

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) *Major non-cash transactions*

In addition to major non-cash transactions disclosed in Notes 28 and 29, during the year, the Group had non-cash additions to right-of-use assets and lease liabilities of CNY102 (2020: CNY4,081 (as adjusted)) and CNY102 (2020: CNY4,081 (as adjusted)), respectively, in respect of lease arrangements for motor vehicles, offices and warehouse.

(b) *Changes in liabilities arising from financing activities*

Year Ended December 31, 2020 (As adjusted)	Interest-bearing loans and borrowings CNY	Due to related companies CNY	Due to the Shareholder CNY	Lease liabilities CNY
As of January 1, 2020	33,377	75,306	7,097	1,238
Changes from financing cash flows	50,000	4,082	462	(1,849)
New leases	—	—	—	4,081
Foreign exchange movement	—	—	(410)	—
Interest expenses and dividends declared	(3,377)	—	—	80
Other changes	—	71	—	—
As of December 31, 2020	80,000	79,459	7,149	3,550

Year Ended December 31, 2021	Interest-bearing loans and borrowings CNY	Dividends payable CNY	Due to related companies CNY	Due to the Shareholder CNY	Lease liabilities CNY
As of January 1, 2021 (As adjusted)	83,979	—	79,459	7,149	3,550
Changes from financing cash flows	(3,000)	(4,900)	49,788	(7,149)	(1,613)
New leases	—	—	—	—	102
Interest expenses and dividends declared	(3,979)	9,948	—	—	150
Other changes	—	—	(123,537)	14,050	—
As of December 31, 2021	77,000	5,048	5,710	14,050	2,189

Year Ended December 31, 2021	Interest-bearing loans and borrowings US\$	Dividends payable US\$	Due to related companies US\$	Due to the Shareholder US\$	Lease liabilities US\$
As of January 1, 2021 (As adjusted)	13,213	—	12,502	1,125	559
Changes from financing cash flows	(472)	(771)	7,833	(1,125)	(254)
New leases	—	—	—	—	16
Interest expenses and dividends declared	(626)	1,565	—	—	24
Other changes	—	—	(19,437)	2,211	—
As of December 31, 2021	12,115	794	898	2,211	345

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) *Total cash outflow for leases*

	<u>2020</u>	<u>2021</u>	<u>2021</u>
	CNY	CNY	US\$
	(As adjusted)		
Within operating activities	<u>(406)</u>	<u>(511)</u>	<u>(80)</u>
Within financing activities	<u>(1,849)</u>	<u>(1,613)</u>	<u>(254)</u>
	<u>(2,255)</u>	<u>(2,124)</u>	<u>(334)</u>

33. COMMITMENTS

There were no capital commitments as of December 31, 2020 and 2021.

34. SUBSEQUENT EVENTS

There have been no material subsequent events.

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

35. CONDENSED FINANCIAL INFORMATION OF THE COMPANY

The following is the condensed financial information of the Company on a non-consolidated basis:

(a) *Condensed statements of financial position*

	December 31,		
	2020 CNY	2021 CNY	2021 US\$
ASSETS			
NON-CURRENT ASSETS			
Right-of-use assets	<u>1,079</u>	<u>360</u>	<u>57</u>
TOTAL NON-CURRENT ASSETS	<u>1,079</u>	<u>360</u>	<u>57</u>
CURRENT ASSETS			
Amounts due from subsidiaries	<u>9,404</u>	<u>136,120</u>	<u>21,416</u>
Cash and cash equivalents	<u>58</u>	<u>17,017</u>	<u>2,677</u>
Financial assets at fair value through profit or loss	<u>138,674</u>	<u>—</u>	<u>—</u>
TOTAL CURRENT ASSETS	<u>148,136</u>	<u>153,137</u>	<u>24,093</u>
TOTAL ASSETS	<u>149,215</u>	<u>153,497</u>	<u>24,150</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
 (Amounts in thousands, except share and per share data)

35. CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(a) *Condensed statements of financial position (continued)*

	December 31,		
	2020 CNY	2021 CNY	2021 US\$
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	9,964	—	—
Lease liabilities	347	—	—
TOTAL NON-CURRENT LIABILITIES	<u>10,311</u>	<u>—</u>	<u>—</u>
CURRENT LIABILITIES			
Other payables and accruals	2,273	4,335	681
Due to the Shareholder	7,149	—	—
Due to related companies	2,780	2,690	423
Lease liabilities	745	373	59
Derivative financial liabilities	—	1,710	269
TOTAL CURRENT LIABILITIES	<u>12,947</u>	<u>9,108</u>	<u>1,432</u>
TOTAL LIABILITIES	<u>23,258</u>	<u>9,108</u>	<u>1,432</u>
EQUITY			
Issued capital	368,395	428,882	67,478
Other capital reserves	847,839	860,168	135,335
Accumulated losses	(1,074,563)	(1,118,038)	(175,906)
Other comprehensive loss	(15,714)	(26,623)	(4,189)
TOTAL EQUITY	<u>125,957</u>	<u>144,389</u>	<u>22,718</u>
TOTAL LIABILITIES AND EQUITY	<u>149,215</u>	<u>153,497</u>	<u>24,150</u>

CHINA NATURAL RESOURCES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021
(Amounts in thousands, except share and per share data)

35. CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(b) *Condensed statements of profit or loss*

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
Administrative expenses	(3,814)	(5,243)	(10,059)	(1,583)
Finance costs	—	(38)	(162)	(25)
Interest income	1	—	—	—
Fair value gain/(loss) on financial instruments, net	—	31,334	(38,349)	(6,034)
(Loss)/profit before income tax	(3,813)	26,053	(48,570)	(7,642)
Income tax (expense)/benefit	—	(5,170)	5,095	802
(Loss)/profit for the year	(3,813)	20,883	(43,475)	(6,840)

(c) *Condensed statements of cash flows*

	Year Ended December 31,			
	2019	2020	2021	2021
	CNY	CNY	CNY	US\$
Net cash flows used in operating activities	(3,294)	(3,269)	(6,076)	(956)
Net cash flows used in investing activities	(21)	(216)	(10,297)	(1,620)
Net cash flows from financing activities	—	1,982	34,089	5,363
NET (DECREASE)/INCREASE IN CASH	(3,315)	(1,503)	17,716	2,787
CASH AT BEGINNING OF THE YEAR	4,122	811	58	9
Net foreign exchange differences	4	750	(757)	(119)
CASH AT END OF THE YEAR	811	58	17,017	2,677

The above financial statements have been provided pursuant to the requirements of Rules 12-04(a) and 4-08(e)(3) of Regulation S-X, which require the presentation of condensed financial information as to the financial position, results of operations and cash flows of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of the consolidated and unconsolidated subsidiaries and the parent's equity in the undistributed earnings of 50% or less owned persons, accounted for by the equity method, together exceed 25% of the consolidated net assets as of the end of the most recently completed fiscal year. As of December 31, 2021, CNY178,394 (US\$27,224) of the restricted capital and reserves were not available for distribution, and therefore, the condensed financial information of the Company has been presented for the years ended December 31, 2019, 2020 and 2021.

In the parent-company-only financial statements, the Company's investments in subsidiaries are stated at cost less accumulated impairment. The carrying amount of the investment in subsidiaries as of December 31, 2020 and 2021 was nil. The parent-company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

The Company does not have any significant commitments or long-term obligations as of any of the years presented, except for those disclosed in the consolidated financial statements.

During the years ended December 31, 2019, 2020 and 2021, no cash dividends were declared and paid by the Company.

FEISHANG GROUP LIMITED

April 13, 2022

China Natural Resources, Inc
Room 2205, 22/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

Confirmation of Financial Support to China Natural Resources, Inc.

On behalf of Feishang Group Limited, we hereby confirm that we will extend continuous financial support to China Natural Resources, Inc. and its subsidiaries, in relation to the going concern of their operations and will not recall any amounts due to us until they have sufficient liquidity to finance its operations.

Yours Faithfully,

/s/ LI Feilie
LI Feilie
Sole Director
Feishang Group Limited

FEISHANG ENTERPRISE GROUP COMPANY LIMITED

April 13, 2022

China Natural Resources, Inc
Room 2205, 22/F, West Tower
Shun Tak Centre
168-200 Connaught Road Central,
Sheung Wan, Hong Kong

Dear Sirs,

Confirmation of Financial Support to China Natural Resources, Inc.

On behalf of the Board of Directors of Feishang Enterprise Group Company Limited, we hereby confirm that we will extend full financial support to China Natural Resources, Inc. and its subsidiaries ("CHNR Group"), in relation to the going concern of their operations and will not recall any amounts due to us until they have sufficient liquidity to finance its operations, and Feishang Enterprise will pay debts on behalf of CHNR Group when needed.

Yours Faithfully,

/s/ LI Feilie
LI Feilie
Chairman
Feishang Enterprise Group Company Limited

[Signed by the project company]

Guangdong Province of the People's Republic of China

Domestic Garbage and Sewage Treatment Infrastructure at Villages and Towns, Wujiang District

Whole PPP Project Package

PPP Project Contract

Purchaser: Housing and Urban-Rural Development Bureau of Wujiang District, Shaoguan City

July, 2018

Chapter I Overview of Project Contract

I. Overview of the Project

Guangdong Province proposed to build a moderately prosperous society ahead of schedule in 2018 and to achieve China's first "Centenary Goal". It is also a crucial three years to further promote the prevention and control of water pollution and fully achieve the goal of water environment quality. The protection of the water environment concerns the vital interests of the people, building of a moderately prosperous society in an all-round way, and the Chinese Dream of great rejuvenation of the Chinese nation. At present, due to the relatively weak economic foundation and insufficient investment in water pollution control in Wujiang District, there is an urgent need to carry out a comprehensive investigation and renovation to solve the historical debt of environmental control.

A lot of infrastructure construction is required to drive the new round of economic development of our country. For current backwardness of sewage treatment and domestic garbage collection and transportation system in Wujiang District, it is a good opportunity to meet the national policy requirements of vigorously implementing PPP financing mode and promoting the transformation of government functions, and vigorously build environmental protection infrastructure to achieve the goal of being well-off in an all-round way under the environment of investment guarantee, policy support and rapid development in the process of sewage and domestic garbage treatment in villages and towns.

The infrastructure construction of sewage and domestic garbage collection and transportation at villages and towns is large-scale and requires huge investment, so we must adopt the PPP investment and financing mode, and change the role of the government as both "athlete" and "referee" to strengthen the function of planning and supervision. It is necessary to introduce powerful social capital and technology, comprehensively sort out the rationality of existing sewage and garbage treatment facilities with the help of its capital and technical advantages, improve construction of sewage and garbage treatment facilities, and enhance the overall efficiency of sewage and garbage treatment facilities to achieve efficiency.

According to the available data and on-the-spot investigation, the sewage at Chongyang Town, Jiangwan Town and Longgui Town in Wujiang District has not been treated effectively, and the foundation of overall sewage treatment construction is weak.

Longgui town is close to the domestic garbage landfill site, and the domestic garbage is collected and transported directly to the existing domestic garbage landfill site for disposal. However, Jiangwan Town and Chongyang Town are very far away from the domestic garbage landfill site, and the one-way transportation distance is even more than 50 km. The high transportation cost hinders the harmless treatment of local domestic garbage and it is urgent to find a new way out suitable for the local actual situation.

Construction of this project can improve the ecological investment environment of Wujiang District, increase the investment interest of domestic and foreign investors, promote and expand the relationship between regional economy and domestic and foreign economy, and drive sustainable social and economic development.

In a word, in accordance with the Government Purchase Law of the People's Republic of China, Regulations on Implementation of the Government Purchase Law, Environmental Protection Law of the People's Republic of China, Contract Law of the People's Republic of China, Guidance on Purchase of Services by the Government from Social Forces (issued by the State Office [2013] No. 96), Guidance of the State Council on Innovation of Investment and Financing Mechanisms in Key Areas to Encourage Social Investment (Guofa [2014] No. 60), Opinions on Promoting Third-Party Governance of Environmental Pollution (issued by the State Office [2014] No. 69), Guidance on Promoting Cooperation Model between Government and Social Capital in the Field of Public Services" (issued by the State Office [2015] No. 42), Notice on Issuance of Operational Guidelines for Cooperation Model between Government and Social Capital (trial) (Caijin [2014] No. 113), Guidance on Cooperation between Government and Social Capital (Development and Investment [2014] No. 2724), Notice on Issues Related to Implementation of Demonstration Projects on Cooperation between Government and Social Capital (Caijin [2014] No. 112), Notice on Deepening Cooperation between Government and Social Capital in the Field of Public Services (Caijin [2016] No. 90), Guidelines for Implementation of Government and Social Capital Cooperation Projects in Traditional Infrastructure" (Development and Reform Investment [2016] No. 2231), Notice on Full Implementation of the PPP Model for Government-Participated Sewage and Garbage Treatment Projects (Caijian [2017] No. 455), and other relevant laws, regulations, standards and norms. The financing needs of this project are clear, the preliminary work needs to be improved, and the

construction-operation-transfer (BOT) model is used to implement. This model introduces social capital in the early stage of the project, which completes survey and design (including project establishment), construction, operation and transfer of the project, which can make up for the lack of pre-project work. and give full play to the advantages such as advanced social capital technology and rich operation experience to achieve project life cycle cost control. The advices from potential social capital parties are fully solicited during the project preparation phase, and professional consulting institutions such as technical, financial and legal personnel are commissioned to provide consulting services in this model.

II. Subject of the Contract

Authorized by the People's Government of Wujiang District, Shaoguan City, Guangdong Province, this contract is carried out by Housing and Urban-Rural Development Bureau of Wujiang District (hereinafter referred to as "Party A"). Address: F3, District Government compound, Huimin South Road No. 128, Shaoguan City, Guangdong Province, authorized Representative: Huang Yishun, Title: director.

Social capital party of this project is from Shanghai Onway Environmental Development Co., Limited & Guangzhou Ruiyi Environmental Protection Technology Co., Ltd. & Guangdong Xifu Environmental Protection Technology Co., Ltd. & Guangdong Xinzhen Construction Engineering Co., Ltd. (Joint) (Shanghai Onway Environmental Development Co., Limited , Registered place: Room 7953, Building 2, Pan Yuan Road No. 1800, Changxing Town, Chongming District, Shanghai, Registration No.: 91310000322311813W, legal Representative: Peng Wenlie. Guangzhou Ruiyi Environmental Protection Technology Co., Ltd., registered place: No. 218, Guangzhou Meibo Center, Urban Construction Building, No. 189 Sports West Road, Tianhe District, Guangzhou, Registration No.: 91440106745969537D, legal Representative: Chen Huanlin. Guangdong Xifu Environmental Protection Technology Co., Ltd., Registered place: Room B1-338, 339, 340, Ruihe Road No. 39, Huangpu District, Guangzhou, Registration No.: 91440116749922111Q, legal Representative: Huang Zongcai); Guangdong Xinzhen Construction Engineering Co., Ltd., Registered place: Room 301, F3, Building 22, No. 2 Zone of Xincheng East District, Qingyuan City, Registration No.: 914418026886271691, legal Representative: Zhu Shixiang) and.

Project company (hereinafter referred to as "Party B"): Shaoguan Angrui Environmental Technology Development Co., Ltd., registered place: Room 317, F3, Cenjiao Enterprise Office Building, Huanggangcen, Chongxia Management District, Longgui Town, Wujiang District, Shaoguan City, unified social information code: 91440203MA51WMC327, legal representative: Ma Xiongbing.

It was signed on August, 2018 in Wujiang District, Shaoguan City, Guangdong Province, China.

Main Contents and Terms of the Contract

The main contents and terms of this contract include introduction, definition and interpretation; scope and duration of the project; prerequisites; project financing; project land; project construction; project operation; project maintenance; equity change restrictions; payment machine system; performance guarantee; government commitment; insurance; compliance obligations and legal changes; force majeure; government supervision and introduction; breach of contract, early termination and post-termination mechanism; project transfer; applicable law and dispute resolution; contract attachment; environmental protection; declaration and warranty; notice; contract divisibility; contract amendment, etc.

III. Risk Allocation

The purpose of this contract is to reasonably distribute risks among Party A, Social Capital Party and Party B, and clarify the relationship of rights and obligations among the subjects of this contract, so as to ensure the smooth implementation of the project and realize value for money.

The core risks of the project are allocated in accordance with the following principles:

- (1) The risks such as survey and design (including topics required for the establishment of the project), financing, construction, finance, operation, maintenance, transfer and environmental responsibility are mainly borne by the social capital party and Party B.
- (2) Risks such as policies are mainly borne by the government.
- (3) The risks such as macro-economy, force majeure and law shall be reasonably shared by the government, social capital party and Party B.

IV. General Requirements

Establish and improve the integrated urban and rural sanitation collection and transportation system and the village and town sewage treatment system of "household collection, village collection, township transfer (treatment) and district treatment", promote the extension of urban municipal infrastructure, technology, services and other public goods and public services to rural areas, and speed up the process of integrating rural sanitation and sewage treatment into the unified management process of urban municipal system.

Chapter II Introduction, Definition and Interpretation

In view of:

- (1) The People's Government of Wujiang District decided to implement the PPP project (hereinafter referred to as "the Project" or "this Project") for the whole package of domestic garbage and sewage treatment infrastructure at villages and towns of Wujiang District (hereinafter referred to as "the Project" or "this Project") in a BOT (build-operate-transfer) manner, and authorized Party A to act as the implementing agency of the project.
- (2) On the basis of following the principles of openness, fairness, impartiality and giving priority to the public interest, Party A has conducted an open tender from the day () of 2018 to the day () of 2018. The following social capital parties were determined: Shanghai Onway Environmental Development Co., Limited, Guangzhou Ruiyi Environmental Protection Technology Co., Ltd., Guangdong Xifu Environmental Protection Technology Co., Ltd., Guangdong Xinzhen Construction Engineering Co., Ltd. Registered place: Room 7953, Building 2, Panyuan Road No. 1800, Changxing Town, Chongming District, Shanghai; Room 218, Guangzhou Meibo Center, Urban Construction Building, No. 189 Sports West Road, Tianhe District, Guangzhou; Room B1-338,339,340, Ruihe Road No. 39, Huangpu District, Guangzhou; Room 301, F3, Building 22, No. 2 Zone of Xincheng East District, Qingyuan City, Registration No.: 91310000322311813W, 91440106745969537D, 9144011674992211Q, 914418026886271691, legal representatives: Peng Wenlie, Chen Huanlin, Huang Zongcai and Zhu Shixiang; As the social capital party of this project, they shall sign this project contract (signed version of social capital party) with Party A to confirm the rights, obligations and responsibilities of Party A, social capital party and Party B under this contract, and the PPP project contract (signed version of the project company) to be signed by all parties will be solidified.

The parties hereby agreed on the following terms:

Article 1 Definition of Terms

1.1 Definition of Terms

In this contract, the following terms have the following meanings:

"Project" or "this project", "sub-project of township domestic sewage treatment facilities", "sub-project of rural domestic sewage treatment facilities", "sub-project of domestic garbage removal," and "sub-project of comprehensive reduction and transportation of domestic garbage": They refer to the relevant terms defined in Article 2.1.

"Project facilities": It refers to the town and rural sewage treatment plant facilities and supporting pipe network collection system, domestic garbage removal and treatment facilities within the scope of the project.

"This contract": It refers to the contract of this project signed between Party A and Party B, including Annexes 1 to 20, and any supplementary modification agreements and Annexes signed by both parties in the future, each of the above documents shall be deemed to be incorporated into this contract.

"Effluent quality exceeding the standard": It means that any index detected at the effluent sample point exceeds the effluent quality index specified in Annex 2.

"Outlet sampling point": It refers to the sampling place approved by both parties to test the effluent quality of this project.

"Change of law": Its meanings are as follows:

(1) Any applicable law promulgated, modified, repealed or reinterpreted by any government department after entry into force of this contract; or.

(2) After entry into force of this contract, any government department shall modify any important conditions of approval or add any important additional conditions. Moreover, any of the above situations lead to:

(i) Any change in taxes, tax preferences, customs duties or (foreign exchange exchange rate) applicable to or borne by Party B; or.

(ii) Any change in the requirements for investment, financing, design, construction, operation, maintenance and transfer of the project

"Working day" It refers to the legal normal working day.

"Chemicals": It refers to the chemicals and agents used for sewage treatment as described in Annex 6.

"Construction period": It means that each sub-project starts from the commencement date of the project construction (hereinafter referred to as "the beginning date of the construction period") to the date of commercial operation (excluding).

"Prudent engineering operation practice": It refers to the practices, methods and practices adopted or accepted by most sewage treatment plants and supporting pipe networks / domestic garbage removal systems / domestic garbage integrated reduction collection stations in China similar to those adopted or accepted by the project, as well as the international practices and methods used.

"Influent quality does not meet the standard": It means that any index of sewage influent detected at the intake sampling point is lower than the design index of influent quality specified in Annex 2.

"Intake sampling point": It refers to the place approved by both parties to sample the influent for testing the influent quality of the sewage of the project.

"Delivery point": It means the discharge point after the sewage has been treated by this project.

"Start date": For start date, refer to Annex 6.

"Commencement of commercial operation date": It refers to compliance with the provisions of Article 8.2, and each sub-project shall be deemed to be the date of commencement of commercial operation.

"Performance guarantee": It refers to letter of guarantee provided by Party B to Party A in accordance with Article 12.1 of this contract.

"Approval": It refers to the license, license, consent, authorization or approval required by Party B from the government department for the establishment, design, construction, financing, operation, maintenance and / or transfer of the project in accordance with the provisions of this contract, including the approval documents listed in Annex 9.

"Effective date" It refers to the effective date of the agreement as stipulated in Article 29.5 of this contract.

"Material difference": It refers to the inspection of the quality of incoming or effluent water / incoming garbage or garbage disposal. One of Party A's verification results and Party B's self-test results shows that it exceeds / reaches the standard while the other shows that it does not exceed the standard / does not reach the standard; or it refers to the measurement of the amount of water in or out of water / garbage collection / garbage supply or actual reception, one of the results of Party A's verification and Party B's self-test results shows excess / deficiency and the other shows no excess / deficiency.

"Bid guarantee": It refers to the letter of guarantee submitted by the social investor in accordance with the provisions of the procurement documents.

"Letter of guarantee": It refers to the letter of guarantee provided to Party A in accordance with Article 12.2 of this contract.

"Breach of contract": It means that either party to this contract fails to perform any of its obligations under this contract, and such breach of contract cannot be attributed to force majeure, etc."

"Default rate": It refers to the one-year loan interest rate set by the people's Bank of China applicable at the time of default plus 2%.

"Pipeline land": It refers to the land on which Party B must use or enter and leave the supporting pipe network collection system built and operated by Party B in accordance with this contract.

"Operating year": It refers to any calendar year in the operating period, provided that the beginning of the first operating year shall begin on the commercial operating date and the end of the last operating year shall end on the last day of the project cooperation period.

"Operating month": It refers to any calendar month in the operating period, provided that the beginning of the first operating month shall begin on the start of the commercial operating date and the end of the last operating month shall end on the last day of the project cooperation period.

"Operation Day": It refers to the 24-hour period beginning at 00: 00:00 and ending at 24: 00:00 on the same day during the operation period.

"Operation period": It refers to the period from the start of commercial operation to the end of the project cooperation period.

"Trial start date": It refers to the day after the final completion date.

"Trial operation period": It refers to the period from the start date of the trial operation to the start of the commercial operation date (excluding).

"Transfer date": It refers to the first day after the end of the project cooperation period, or any other date on which the project facilities are transferred with the written consent of both parties.

"Government department": It refers to (a) The State Council of China and its subordinate ministries, commissions, bureaus, departments and agencies, any legislative, judicial or military authority of China, or other administrative entity with the administrative function of the central government.

(b) Any local legislative, executive and judicial departments in the area where the project is located, including Party A.

It refers to the date of completion of the project in accordance with Article 8.2.

1.2 Other

In this contract:

- (1) "Yuan" refers to "RMB" and is the legal tender of the People's Republic of China.
- (2) Except as otherwise provided in the context of this contract, "one party", "parties" or "parties" shall be a party, parties or parties to this contract; each party to this contract or financing document shall include other successors and approved assigns.
- (3) The referred day, week, month and year refer to the day, week, month and year of the Gregorian calendar.
- (4) Unless indicated (excluding), the start and end dates of the period referred to shall be included in that period.
- (5) Except as otherwise provided in the context, the word "including" shall at all times be deemed to be used in conjunction with "but not limited to"
- (6) The contract referred to means the relevant contract and Annexes to the contract and such additions or modifications to the contract as may be made from time to time in any case.
- (7) The laws, regulations or other documents to be complied with by Party B in the implementation of this project include amendments or replacements made by the authorized authority in any case.
- (8) The reference to "maintenance" shall always be construed as including repairs and updates, unless otherwise provided in the context.

Chapter III Scope and Duration of the Project

Article 2 Scope of the Project and Period of Cooperation

2.1 Definition and Scope of Project

2.1.1 Definitions of this Project and Subprojects

Party A shall grant Party B to complete the preliminary work such as environmental impact assessment, social stability assessment, feasibility study, soil and water conservation assessment, project establishment, design, construction, investment, financing, operation, maintenance and transfer of sub-project facilities during the cooperation period of the project in accordance with the applicable laws and regulations, take the payment method based on sewage collection and treatment, cleaning, domestic garbage transfer, comprehensive reduction treatment, environmental quality improvement, pollutant emission reduction effect, and obtain the project service charge in accordance with the provisions of this contract.

This project includes garbage sub-project and sewage sub-project.

The garbage sub-project includes the domestic garbage removal sub-project and the domestic garbage comprehensive reduction collection and transportation station sub-project. The specific construction content and scale are specified in Annex 4, where:

(1) The domestic garbage removal sub-project consists of three parts, namely: a) The garbage collection bins are equipped with garbage collection bins at the garbage collection points in 3 towns (Chongyang Town, Jiangwan Town and Longgui Town) and villages (29 administrative villages and 196 natural villages), and garbage compression collection vehicles are equipped to collect and transport the garbage to the transfer stations and comprehensive reduction collection stations in each town street for disposal, then the domestic garbage collected by the transfer station and the remaining residue after treatment by the comprehensive reduction collection station are transported to the Hualazhai Domestic garbage Landfill site in Shaoguan City (or other terminal disposal sites designated by Shaoguan City) (hereinafter referred to as Shaoguan Domestic garbage Terminal treatment site). Without increasing the government budget, the operation units are encouraged to carry out technological innovation and recycling of domestic garbage; b) Cleaning in the town center of townships (Chongyang Town, Jiangwan Town and Longgui Town); and (c) Cleaning of villages (29 administrative villages and 196 natural villages).

(2) The sub-project of domestic garbage comprehensive reduction collection and transportation station refers to the construction of two new domestic garbage comprehensive reduction collection stations in Chongyang town and Jiangwan town, with a treatment scale of 6 t / d and 3t/d respectively, with a total treatment scale of 9 t / d.

The sewage sub-project includes the township sewage treatment facility sub-project and the rural sewage treatment facility sub-project. The content and scale of physical construction are specified in Annex 4, where:

(1) The sub-project of township sewage treatment facilities refers to the domestic sewage treatment plants and supporting pipe networks for the construction of three new town streets (Chongyang Town, Jiangwan Town and Longgui Town).

(2) The subproject of rural sewage treatment facilities refers to the rural sewage treatment facilities and supporting pipe network projects of 77 natural villages at the streets of Chongyang Town, Jiangwan Town and Longgui Town.

2.1.2 Scope of Sewage Treatment and Garbage Removal Services in this Project.

The sewage treatment services of this project covers the sewage treatment collected within the scope of the supporting pipe network collection system of each sewage sub-project, and the garbage removal and treatment services covers the service areas of cleaning of township and town centers, rural cleaning, domestic garbage transfer and comprehensive reduction of domestic garbage covered by various garbage sub-projects. With the expansion of the town and village population areas in this

project, Party A has the right to decide to include the newly developed sewage treatment services, garbage removal and disposal service areas or the construction of new rural selected sites into the service scope of the project according to applicable laws and legal infrastructure procedures, the cooperation conditions and requirements shall be determined in accordance with the relevant provisions of this contract, and the relevant costs shall be approved in accordance with the relevant financial indicators determined in the bidding documents. If the partial provisions of this contract are not applicable to the long-term development of sewage treatment services, garbage removal and disposal services, the two parties shall be determined through friendly consultation based on the principles and spirit established during the bidding and negotiation of this contract.

2.2 Cooperation Period of this Project

Unless extended or terminated in accordance with Article 16 of this contract, the project cooperation period of each sub-project shall be 30 years from the date of entry into force of this contract.

Chapter IV Prerequisites

Article 3 Declarations and Conditions

3.1 Statement of Party A

Party A hereby declares to Party B that on the effective date:

- (1) Party A has been authorized by the People's Government of Wujiang District to manage and implement this project, has the right to sign this contract, and can perform all its obligations under this contract.
- (2) Party A has received the People's Governments of Chongyang Town, Jiangwan Town and Longgui Town (hereinafter referred to as "the town governments") and 29 administrative villages (196 natural villages) in the three township areas of Chongyang Town, Jiangwan Town and Longgui Town. (hereinafter referred to as "village committees") in accordance with this contract and Annex 1 commitment guarantee letter. If there are no conditions in some rural areas or if the villagers do not agree to issue this letter

of guarantee after negotiation, Party B shall waive the terms of the declaration, but Party A shall require the relevant village committees to cooperate in the performance of this contract as far as possible.

(3) Party A shall complete the preliminary work of the project according to Annex 5.

(4) Party A has completed the procedures related to the Guangdong Provincial PPP Project Database (Department of Finance of Guangdong Province).

If the statements made by Party A here are proved to be materially untrue at the time of making, and such untrue statements seriously affect the smooth progress of the project under this contract, Party B has the right to terminate this contract.

3.2 Statement of Party B

Party B hereby declares to Party A that on the effective date:

(1) Party B is a legal institution formally established in accordance with the laws of the People's Republic of China and has the legal personality and right to sign and perform this contract and other contracts and financing documents related to this project.

(2) Party B shall ensure that the capital of the project is higher than or equal to 20% of the provisional investment.

(3) Party B and the social capital party shall ensure that the registered capital of the project company shall be higher than or equal to 20% of the project investment at any time during the project cooperation period, and the project company is jointly funded by the social capital party and the government on behalf of [Shaoguan Wujiang Runheng Municipal & Rural Development Investment Co., Ltd.]. The registered capital of the project is 26.6821 million yuan, which will be invested in batches according to the actual progress of the project.

(4) Party B has received all the application for shares and capital contribution certificates required by this contract and financing documents.

(5) Party B has obtained effective insurance in accordance with the requirements of this contract.

(6) The project company has paid the upfront charge to Party A or its designated unit in accordance with the requirements of the Purchasing document of this project, and the specific amount is shown in Annex 5.

If the statements made by Party B here are proved to be materially untrue at the time of making, and such untrue statements seriously affect the smooth progress of the project, Party A has the right to terminate this contract.

3.3 Rights and Obligations of Party A

- (1) Coordinate the town governments and village committees to provide project land to Party B in accordance with the provisions of the Article 5.1 (1) and (2), and complete the requisition, demolition and relocation of the project land.
- (2) Assist Party B to complete the work of “Sever connections and one leveling” of the project land and the supporting work of power supply outside the plant, water supply outside the plant and roads into the plant during the operation of the project, and be responsible for coordinating the departments of water supply and power supply in order to ensure normal work and living during the construction and operation of the project. The expenses incurred shall be borne by Party B and shall be included in the total investment of the project.
- (3) Ensure that Party B has the right to use the land of township sewage treatment plants, rural sewage treatment facilities, domestic garbage comprehensive reduction collection stations, transfer stations and other sites in accordance with the relevant provisions of the PPP contract.
- (4) After completion of this project, Party B shall enjoy exclusive rights for the treatment of sewage and domestic garbage at villages and towns within its service scope.
- (5) The government payment for this project shall be incorporated into the medium-and long-term budget and approved by the National people's Congress.
- (6) Assist Party B to obtain relevant permits or approvals in a timely manner, including, but not limited to, construction permits, etc.
- (7) Be responsible for the employment of PPP consultants.
- (8) Pay Party B's service charge in accordance with the PPP project contract to guarantee Party B's legitimate income.
- (9) Supervise Party B's performance of this contract, including product and service quality, project operation status, environmental governance, operation effect and safety measures, and assist relevant departments to calculate and monitor enterprise investment and operating costs.
- (10) According to the principle of respecting the public's right to know and encouraging the public to participate in supervision, Party A has the right to disclose the results of product and service quality inspection, monitoring, evaluation and rectification to the public in an appropriate manner, and accept and verify the complaints from the public against Party B as part of the performance appraisal of this project.
- (11) Party B may be intervened or temporarily taken over in accordance with the provisions of this contract.

3.4 Rights and Obligations of Party B

- (1) According to the provisions of this contract, Party B shall bear the cost, liability and risk during the project cooperation period, be responsible for the preliminary work, design, construction, financing, as well as the operation, maintenance and transfer of the project facilities, and be responsible for the access of roads, external water and foreign electricity needed during the construction and operation of the project.
- (2) Party B shall obtain the project service charge according to the environmental performance appraisal conducted by Party A on the environmental governance and operation effect of Party B in accordance with the provisions of this contract, enjoy the right to optimize the design and rational layout according to the latest policy assessment requirements of the province, city and district, and bear the expenses arising from the optimal design and rational layout.
- (3) In principle, the design, construction, operation and maintenance work under this contract shall be carried out and completed by Party B. If Party B entrusts a third party, it shall obtain the prior written consent of Party A. Party B's obligations under this contract will not be reduced as a result of subcontracting and entrusted operation. Party B shall bear any liability and losses caused by the trustee / subcontractor. Party B shall ensure that the trustee / subcontractor has the legal qualifications, experience and ability to engage in related work, and shall ensure that the obligations and responsibilities for the design, construction, operation and / or maintenance of the project project under this contract are clearly specified in the entrustment contract / subcontract signed with the trustee / subcontractor. In the event of an emergency, Party B shall be the first responsible person on the site and shall not fail to act as a result of entrustment / subcontract.
- (4) Party B shall actively coordinate its relations with the surrounding masses and units, and Party A will assist in handling these relations at the request of Party B.
- (5) Accept the supervision of the relevant government departments, the contract performance management of Party A, the performance appraisal carried out by the performance evaluation agencies and the supervision of the public, obey the social and public interests, and devote themselves to the improvement of environmental quality, perform the obligations and services that should be done to the public welfare undertakings.
- (6) If the government uses this project to apply for national special funds in the future, Party B shall provide assistance and the special funds shall be owned by Party A.
- (7) Without the written permission of Party A, the registered capital shall not be reduced during the cooperation period.

- (8) The project company shall not be dissolved without the written permission of Party A.
- (9) Timely submit to Party A for filing after making medium-and long-term development plans, annual business plans, annual reports, resolutions of the board of directors, etc.
- (10) If the name, address or legal representative needs to be changed during the project cooperation period, Wujiang District Housing and Urban-Rural Development Bureau shall be informed in advance.
- (11) All kinds of rubbish involved in each garbage sub-project and the resource products produced by the garbage disposal process shall be owned by Party B.

Chapter V Financing of Projects

Article 4 Financing Obligations and Completion of Financing

4.1 Financing Obligations

For the purpose of financing this project, Party B may use the expected income under this contract as a guarantee for the financing of this project in accordance with the provisions of the applicable law, and Party B shall set up the security rights and interests without harming the rights or interests of Party A. If Party B cannot successfully complete the project financing in the future, Party B shall ensure that Party B's financing is in place by means of shareholder loan and supplementary guarantee.

Unless there is a delay in the examination and approval of the government approval required for financing, Party B shall ensure that the financing is completed within 30 days from the effective date of the contract (applicable to the signed version of the project company) and confirm completion of the financing to Party A in writing within 5 working days after the completion of the financing, and deliver copies of all signed financing documents and other supporting documents that Party A may reasonably require to show that the financing has been completed.

4.2 Financing Completion and Financing Documents

- (1) The completion of the financing referred to in Article 4.1 means to sign and submit the necessary valid financing documents between Party B and the lender (including each previous proposal to obtain the first fund that meets or waives the requirements of the financing document), which aims to prove that all transactions necessary for Party B to obtain debt financing for this project have been completed, and Party B shall also receive the share subscription (or equity contribution) of the equity investors as may be required by this contract and the financing documents.
- (2) The financing documents referred to in Article 4.1 refer to loan agreements, letters of guarantee, foreign exchange hedging agreements and other documents related to the financing or refinancing of the project, but do not include:
 - 1) Any documents relating to the subscription or equity contribution of the equity investor.
 - 2) Documents related to the provision of performance guarantee and operation and maintenance guarantee.
- (3) Party B shall ensure that the loan agreement contains the lender's commitment to the following terms:
 - 1) As long as this contract (including attachments) is valid, the lender shall not take any action to affect, disturb, damage or terminate Party A's rights under this contract, or otherwise adversely affect this contract.
 - 2) When Party B violates the loan agreement or Party B has major business or financial risks that threaten or infringe upon the interests of creditors, the lender may exercise Party B's shareholder rights by subrogation and require Party B to improve its management and increase its investment. or request a qualified institution approved by Party A to take over the project, subject to the following premises:
 - (i) The lender shall notify Party A in writing of Party B's breach of contract under the loan agreement.
 - (ii) Give Party A the right to correct Party B's breach of contract within 90 days after receiving the above notice of breach of contract.
 - (iii) Not to exercise any right or remedy of the lender against default during the period of the above correction.
 - (iv) If Party B's breach of contract fails to improve at the expiration of the correction period, the lender shall exercise its rights on the premise that it will not hinder or impair Party A's rights under this contract and the normal operation of the project. After the significant risk of the lender is relieved or additional guarantee measures acceptable to the lender are provided during the correction period, the lender shall cease to intervene.

4.3 Breach of Financing Obligations

If Party B fails to complete the relevant financing obligations in accordance with the provisions of this contract or fails to make full financing in accordance with the requirements of this contract, Party B shall make corrections within 20 days from the date of Party A's request for rectification; If it exceeds 20 days, Party B shall pay liquidated damages to Party A. If it fails to make corrections for more than 30 days, Party A shall have the right to terminate this contract ahead of time.

Chapter VI Project Land

Article 5 Land Use

5.1 Right to the Use of Land

(1) Party A shall coordinate the people's governments of each town and district and the village committees to be responsible for the requisition, demolition and relocation of the land of the project, and urge Party B to obtain the right to use the land for a charge on the beginning of the construction period of the project (hereinafter referred to as "the right to use the land"). Party B shall pay all the fees for the requisition and loan of land and all land use taxes and fees incurred in the process of using such land and real estate in accordance with the provisions of applicable law. The cost shall be included in the total investment of the project. In order to avoid doubt, both parties make it clear that the land use right of the project land shall not be transferred to Party B, and that the government shall only provide it to Party B for use according to the current situation of the land, and Party B shall complete the leveling of the filling of the project land.

(2) Party A shall ensure that Party B shall have the right to obtain the easement of such pipeline land during the construction and operation of the supporting pipe network collection system and sewage outlet pipe in accordance with this contract on the premise of complying with the applicable law in order to enter and temporarily use the pipeline land. However, the royalties, compensation fees and / or the cost of restoring the ancillary facilities on the relevant third party land arising from the use of the third party land shall be borne by Party B.

(3) If the project cooperation period of any sub-project of this project is extended in accordance with the provisions of this contract, Party A shall ensure that the right period conferred on Party B by the Article 5.1 (1) and (2) is extended accordingly.

(4) Party B shall be deemed to have separately inspected and inspected the site of the project, and has expressed satisfaction with the conditions of the land and its surroundings, including underground soil conditions, passageways and facilities. With regard to the condition of any of the above-mentioned land, Party A will not make any statement or guarantee to Party B. Party B accepts the status quo of such land (including underground soil conditions) and all defects.

5.2 Restrictions on the Use of Land

Party B shall not use project land and / or the right to use the land in the Article 5.1 for any purpose other than the project unless Party A agrees in advance in writing.

Chapter VII Construction of the Project

Article 6 Design

6.1 Design Requirements

According to the applicable law and the approval reply of the development and reform department, Party B shall carry out due diligence and other work, and select a design unit with corresponding qualifications to carry out the preliminary design and construction drawing design of the project (if each social capital party of the project has the design qualification, it can also design on its own) in accordance with the provisions of Annex 4 and the applicable law and examination and approval procedures, and bear the corresponding costs. Party A shall not disapprove without reason.

Party B or the designer selected by Party B shall reasonably optimize the design and layout in the process of preliminary design and construction drawing design of the project, the design should be carried out from the point of view of maximizing the economical use of construction resources and the most efficient environmental protection operation of the project.

Party B shall be responsible for any defects in the design of this project caused by its own reasons, and Party A's failure to object to the planning documents shall not be regarded as a waiver of its rights under this contract, or exempt Party B from its obligations under this contract in any way.

6.2 Review Design Standards and Specifications and Propose Design Proposals

After signing of this contract, Party B shall conduct due diligence on the project, fully investigate, understand and analyze the local construction requirements and conditions of each sub-project. In view of the defects in submitting the design plan at the bidding stage, Party B shall correct, optimize, deepen and refine the technical scheme in order to meet the project needs of Party A and put forward a perfect design plan. The reviewed design plan shall be approved by the local town government or village committee where the relevant sub-project is located (the local town government shall reply Party B in writing within 10 working days after receiving Party B's design plan), and then be submitted it to the relevant departments organized by Party A for examination and approval. Otherwise, the consequences and all expenses shall be borne by Party B. Party A shall reply Party B in writing within

10 working days after receiving Party B's design plan. If Party A fails to reply within the above-mentioned period, the above design shall be deemed to have been agreed. Without the written consent of Party A (during the period of 10 working days after Party A receives the designer) or deemed to be agreed, Party B shall not implement the design scheme and shall reply to the questions raised by Party A and requests for clarification. If Party A agrees to the design plan, Party B shall design and apply for approval in accordance with legal procedures, and Party A shall provide assistance.

Party A's failure to object to the design or agree to the design shall not be regarded as a waiver of its rights and interests under this contract, or in any way relieved of Party B's obligations under this contract.

6.3 Design of Construction Drawing

Party B shall carry out the construction drawing design in accordance with the approved design scheme, preliminary design and the design standards and technical specifications listed in Annex 4, and provide it to Party A and the specialized agencies qualified for construction drawing examination for pre-construction review. If major changes need to be made to the preliminary design in the construction drawing design, more reasons should be put forward. Party B has the right to optimize the design of each stage, integrate and decompose the dispersion points, or design, build and operate in stages, encourage or even subsidize the use of new technologies and energy-saving and environmental protection materials, technologies and construction methods, and advocate the use of information technology and the concept of unmanned duty.

According to the actual situation of the project, the construction drawings can be designed and reviewed in batches. The design of construction drawings with changes in contents shall be carried out accordingly with the consent of Party A. If Party A does not refuse in writing within 10 working days after the declaration, Party A shall be deemed to have agreed to the change of the contents of the construction drawing.

Article 7 Construction

7.1 Main Obligations of Party B

Party B shall be responsible for the construction of the facilities of the project in accordance with all applicable laws and regulations and construction procedures as well as the requirements of this contract, and bear the costs and risks to be borne in the construction project, including:

(a) Start construction on or before the scheduled start date of each sub-project specified in Annex 6 to this contract, complete each sub-project on or before the scheduled completion date specified in Annex 6 to this contract, and complete each project and work on schedule according to the tender documents and the schedule date after adjustment (if any) confirmed by Party A.

(b) Make preparations before construction and provide all necessary construction facilities in a timely manner.

(c) In accordance with applicable laws and regulations, Party A shall select a supervision company with corresponding qualifications to supervise the whole process of project construction by means of bidding. After the supervision charge is approved by Party A according to the supervision contract, the project company shall pay it to the supervision unit's account on a monthly basis. The supervision company issues special invoices to the project company.

(d) According to the actual situation of the project, the construction of the project can be carried out in stages.

(e) The project shall be constructed in accordance with the legal procedures in accordance with the applicable laws, capital construction procedures and the approval of the development and reform department, as well as the preliminary design, construction drawing design, construction standards and specifications stipulated in Annex 4 to this contract, and other requirements of this contract. All equipment installed in the construction project must be brand new and all materials used must be tested by qualified inspection institutions to be qualified in accordance with the provisions of the applicable law.

(f) Party B shall conduct due diligence on the project before preliminary design and construction. It is appropriate to optimize the layout of garbage treatment and sewage treatment stations with convenient transportation and the shortest construction period, which complies with the national policy on energy and land saving, is convenient to use, and ensure that the cleaning, transfer, comprehensive reduction treatment of each garbage sub-project and the collection and treatment of sewage from each sewage sub-project are completed in full and efficient manner in full and effective accordance with the applicable law and the provisions of this contract.

(g) Party B has the obligation to receive and dispose of all raw and live wastes and other wastes approved by Party A within the scope of each garbage sub-project.

(h) Party B shall carry out due diligence research on the pipeline facilities before construction, review the construction conditions and geological conditions along the line, and complete the design plan in accordance with Article 6. 2.

(i) The foundation, excavation, backfilling, road surface repair, connection of pipeline and valve well, survey, dewatering, slotting, groove support and pipeline cross treatment of pipeline construction shall comply with the provisions of the design documents of construction drawings, Annexes 4 and 6 of this contract, and shall be completed within the schedule specified in Annex 6.

(j) The masonry construction of pump room facilities, the connection of embedded pipes, embedded parts and reserved holes with masonry, and the construction of mortar and waterproof layer shall comply with the provisions of the design documents of construction drawings, Annexes 4 and 6 of this contract, and shall be completed within the schedule specified in Annex 6.

(k) The sewage outlet pipe shall be connected to the discharge point specified in the environmental assessment reply of the project.

(l) During the construction of the project, Party B shall apply in time and obtain the corresponding approval of the project (including the approval listed in Annex 9) during the construction period, and keep it valid after that. After signing, obtaining or completing various contracts, approval and other documents, photocopies of the corresponding documents related to project construction (including various contracts) shall be submitted to Party A for filing within 5 working days.

(m) After the construction of the project is completed, the relevant completion drawings and technical materials shall be delivered in accordance with Article 7.8 of this contract.

(n) Establish a sound safety guarantee system in the course of construction and strictly abide by the provisions of applicable laws to protect life, health, property and the environment.

(o) Take all reasonable measures during the construction period to reduce interference and inconvenience to the public, local residents and commerce.

(p) Provide the corresponding list of qualified personnel for carrying out the construction project, and provide Party A with a copy of the qualifications of the corresponding personnel, which shall not be replaced without the consent of Party A.

(q) Party B shall construct and bear the corresponding costs for the water supply and drainage facilities, communication facilities, power supply facilities, approach roads and other necessary off-plant facilities of the supporting projects around the project, and the completion time of the construction shall be matched with the completion time of the project in accordance with the schedule stipulated in this contract

7.2 Main Obligations of Party A

(a) Assist Party B in obtaining the approval required by the relevant government departments and maintaining it effective during the construction period.

(b) Coordinate the town governments and village committees to provide paid project land to Party B, and complete the requisition, demolition and relocation of the project land.

(c) If Party B has submitted the application to Party A in a timely and correct manner, keeps the relevant applications, requirements and documents required for its approval valid, and meets the conditions required for obtaining such approval, Party A shall give approval that falls within the authority of approval of the department and keeps the approval valid.

(d) Coordinate with the relevant government departments to organize the acceptance in time when Party B puts forward the acceptance request. Party A shall actively organize acceptance within 10 working days.

7.3 Quality Assurance and Quality Control

Before the start date of the project construction, Party B shall formulate the project quality assurance and quality control plan according to Annex 6 and submit it to Party A for approval, and reflect the implementation status of the project quality control plan in the monthly report of project construction progress.

7.4 Project Schedule

7.4.1 Project Plan

Both parties shall perform their construction obligations for each sub-project under this contract in accordance with the schedule set out in Annex 6.

The deadline set out in Annex 6 for the schedule dates for each sub-project will be extended or modified if:

- (a) Force majeure events.
- (b) Delays in the implementation of the project due to the discovery of cultural relics referred to in Article 7.9.
- (c) Delays due to the protection of obstacles such as underground pipelines referred to in Article 7.10.
- (d) Delay in the progress of the project due to Party A's breach of contract.

If the rural individual sewage treatment sub-project does not have the construction and operation conditions and cannot achieve the same purpose, Party B may stop the construction of the sub-project or the project company and Party A may negotiate with Party A to re-select the rural site to replace the sub-project after the application submitted by Party B and the approval of the local village committee, or the application submitted by the local village committee and the approval of the Wujiang District Government. Party A has the right to propose re-selection or increase or decrease in rural areas according to the actual situation or policy needs.

If it is necessary to adjust the construction site of rural sewage treatment facilities due to objective reasons (including different villages or different locations in the same village), Party A shall not be responsible for any costs or losses before the construction of the project. If the project has already started, Party A shall be responsible for the related losses caused by the changes caused by the project.

7.4.2 Extension of Progress Date

After the occurrence of the event mentioned in Article 7.4.1, one party shall submit a written request for extension to the other party and state the impact on the corresponding progress date and the specific duration of the extension within 7 working days of the actual delay, and prove to the other party that the extension is an unavoidable extension after all reasonable measures have been taken.

The party receiving the request for extension shall actively consult with the requesting party on the matter of extension and reach a written opinion. If the party making the written request does not receive the other party's written objection to the extension within 15 working days, it will be deemed to have been agreed by the other party to the request for extension.

7.4.3 Delay in the Final Completion Date due to Party A's Reasons

If there is any delay in the final completion date of each sub-project due to the land requisition of Party A, the schedule date specified in Annex 6 shall be appropriately extended, and Party A shall extend the project cooperation period of the relevant sub-projects (calculated according to the delay time) accordingly.

7.4.4 Delay in the Final Completion Date Caused by Party B

If the delay in the final completion date or the start of commercial operation date of each sub-project is caused by Party B, Party B shall also pay liquidated damages to the relevant departments of Party A for each sub-project in the following manner from the scheduled final completion date or the commencement of commercial operation date in addition to continuing to undertake the prescribed construction obligations:

(a) Charge 10,000 yuan per day for the first 30 delay days.

(b) Charge 20,000 yuan per day after the 30th day of the above delay.

Party A may redeem the above liquidated damages from the performance guarantee. After 90 calendar days of delay, Party A has the right to exercise the right to terminate the contract after withdrawing all the remaining amount of the performance guarantee. If Party A decides not to exercise the right of termination, Party B shall immediately make up the performance guarantee in full to the original amount, and at the same time.

(a) If Party A decides to continue with the construction by Party B, Party A's further delay to Party B will withdraw the amount of the performance guarantee at the rate of 4,000 yuan per calendar day. After a further delay of 50 calendar days, Party A shall have the right to exercise the right to terminate the contract, and the guarantee period for the full remaining amount of the performance bond shall be extended to 12 months after the transfer date.

(b) if Party A decides that the construction shall be carried out by other institutions, Party B shall hand over it well, cooperate with the construction of the machine, and bear all risks and expenses incurred in the process of construction.

7.5 Progress Report

Party B shall submit to Party A the monthly construction progress report confirmed by the supervision company, which shall reflect the progress and quality of completed and under construction projects, and the estimated time for completion of the project. If there are problems in progress and quality, remedial measures and plans should be put forward.

If Party B fails to start or complete the corresponding stage of construction as promised in the tender documents and valid supplementary documents, Party A shall have the right to refer to Article 7. 4.4 standard to requires Party B to pay liquidated damages for project advance delay.

7.6 Supervision and Inspection of Party A

7.6.1 Inspection of Construction Projects

Party A has the right to check the construction progress and quality control inspection methods and results of Party B without affecting the construction of the project, so as to confirm that the construction meets the progress and quality requirements of this contract. Party B shall send a representative to accompany the inspection and provide the necessary conditions for the inspection, including copies of all plans, designs, documents and materials related to the purpose of the inspection. If the confidentiality of proprietary information is involved in the inspection, it shall be carried out in accordance with the confidentiality provisions.

7.6.2 Non-Compliance with Quality and Safety Requirements

If the construction of the project does not meet the quality or safety requirements of this contract, Party A may give Party B a warning and its basis and amendment principles. If Party B fails or refuses to correct the defect within a reasonable time after Party A's notification, Party A shall have the right to request that the construction be stopped and instruct Party B to carry out rectification until the safety is guaranteed, the defect is repaired and the quality is controlled. The loss caused by the shutdown shall be borne by the project company. If Party B fails to make rectification within the specified time or the rectification effect cannot meet the quality or safety requirements, Party A has the right to require Party B to pay at least two thousand (2000) yuan per breach of contract according to the specific circumstances and seriousness of the breach of contract.

If Party B does not start the rectification within 5 working days after receiving the notice from Party A, Party A shall have the right to carry out necessary corrections by itself or entrust a third party to carry out necessary corrections, and all risks and expenses shall be borne by Party B. In this case, Party B shall allow Party A or its contractor to enter and leave the project site for this purpose. If Party B refuses Party A or the third party entrusted by Party A to enter the project land for corrective work, or fails to make compensation for the costs and expenses paid by Party A in accordance with Party A's requirements, Party A shall have the right to withdraw the corresponding amount from the performance guarantee.

7.7 No Exemption

Whether or not Party A supervises and inspects any part of the construction project, it shall not be regarded as waiving any of its rights under this contract, shall not exempt Party B from any obligations under this contract.

7.8 Delivery of Drawings and Technical Materials

Within one month after the commencement of commercial operation, Party B shall submit the following materials to Party A:

- (a) Complete set of construction and completion drawings, acceptance records and audited settlement information of the project facilities.
- (b) Copies of all equipment technical materials and drawings (including equipment plans, instructions, operation and maintenance manuals, quality assurance, installation records, test records, quality supervision and acceptance records).
- (c) Other technical documents or materials related to the project as reasonably required by Party A.

7.9 Protection of Archaeological, Geological and Historical Objects

If Party B discovers archaeological relics, fossils, ancient tomb sites, and any objects of archaeological, geological and historical significance during the construction, operation and maintenance of the project facilities, Party B shall immediately stop work, promptly notify Party A, and take appropriate protection measures. If the above discovery leads to the delay of the construction project, it shall be carried out in accordance with Article 7.4.2.

7.10 Protection Measures for Obstacles such as Underground Pipelines

Before the start of the collection system of the supporting pipe network, Party B shall arrange professionals to conduct a comprehensive investigation of underground obstacles such as buildings, existing drainage pipes and pipelines that may be encountered within the construction scope and fully understand the direction and location of the original underground municipal drainage pipes, water supply and power supply, power telecommunications, natural gas pipelines and other pipelines, as well as the location and buried depth of the foundation of nearby buildings according to the design drawings. If the pipeline designed by the supporting pipe network collection system collides with underground pipelines or other obstacles, Party B shall promptly report to Party A and decide on a reasonable response plan before excavation and construction. If the above events cause delay in the construction project, it shall be carried out in accordance with Article 7.4.2.

7. 11 Abandonment and Intervention

7.11.1 Abandonment

Party B shall give up the investment or construction of the project in writing.

7.11.2 Regarded as Abandonment

Except force majeure or the cause of Party A, the construction of this project shall be deemed to have been abandoned if Party B:

(i) Notify Party A in writing that it has terminated any construction project and does not intend to restart the construction.

(ii) Due to Party B's failure to start the construction of the project within thirty (30) days after the commencement date.

(iii) Due to Party B's failure to resume construction within thirty (30) days after the end of any force majeure event.

(iv) Party B shall stop the construction of the project before the final completion date for any other reason and remove all or most of the staff of the site directly or through the subcontractor.

7. 11.3 Party A Intervened to Complete Construction

In the event of Article 7.11.1 or Article 7.11.2, Party A shall have the right to appoint a third party to replace Party B to undertake any necessary construction for the purpose of completion.

After Party A is involved in the construction, Party B shall cooperate with Party A and its designated third party to provide it with all reasonable assistance, and let the lender make a commitment with the same effect in its financing documents to ensure the construction and completion of the project.

Party A's involvement in construction of the project shall not be regarded as having transferred the project assets or undertaken the duties of Party B in accordance with this contract.

Except as otherwise stipulated in this contract, Party A and its designated third party shall bear all costs and risks arising from the intervention of Party A in the construction. Party A has the right to withdraw this part of the money from the performance guarantee after providing Party B with detailed records of expenses and expenses. If Party B has taken practical measures or provided effective and sufficient guarantee, Party A shall withdraw the construction of the project. Party B shall resume full responsibility at this time until either party issues a notice of termination.

Article 8 Completion and Acceptance

8.1 Completion, Acceptance and Trial Operation of Project Facilities

8.1.1 Completion Acceptance

The project shall be checked and accepted according to each sub-project.

The project company shall issue a written notice of completion acceptance to Party A 15 working days before the completion of the project.

Party A shall send representatives to participate in the completion acceptance organized by the quality supervision and / or safety supervision department on the notified completion acceptance date. If it is concluded that the completion is qualified, the project company shall receive the completion notice, which shall be confirmed by Party A as the final completion date. If the conclusion of the acceptance is that some or all of the completion is unqualified, the project company shall be notified in writing within 5 working days and the reasons for the failure shall be stated. The project company shall take all necessary corrective measures to remedy the non-conformities, and shall issue a written notice to Party A 10 working days before re-organizing the completion acceptance, so that the quality supervision and / or safety supervision department can organize the completion acceptance again. The project company shall bear full responsibility for the increase in costs and delays caused by non-conformities. If Party A fails to issue a written notice of non-conformance within 5 working days after completion of the re-completion acceptance, the 6th working day after the completion of the re-completion acceptance shall be regarded as the final completion date.

8.1.2 Trial Operation

Party B shall start trial operation from the day after the final completion date, and the service charge during the trial operation shall be paid in accordance with the relevant provisions of Annex 18 to this contract. In accordance with the principle of "first complete and first accept, that is, complete-accept ", if the sub-project is completed ahead of schedule and qualified, it can be transferred to the trial operation period the next day, and the service charge during the operation period shall be determined in accordance with the relevant regulations in Annex 18 to this contract, the completion and acceptance of all projects shall pay the service charge during the trial operation in a lump sum.

8.2 Acceptance of Environmental Protection and Start of Commercial Operation

(1) Party B shall start the self-inspection of environmental protection from the day after the final completion of each sub-project. Party B shall report to the environmental protection department for environmental protection acceptance.

- (2) If Party B considers that the relevant sub-project has met the environmental protection acceptance conditions, Party B shall apply to the environmental protection department for environmental protection acceptance within one month after the environmental protection acceptance conditions have been met, and shall complete the acceptance within the specified time. Party A shall give reasonable assistance. If it fails to meet the requirements of environmental protection acceptance, Party B shall apply to the environmental protection department for a trial production extension of up to one year. After completion of the environmental protection acceptance, Party B shall inform Party A in writing and submit the relevant materials. After confirming this, Party A shall issue an acceptance confirmation letter to Party B. If Party B receives the acceptance confirmation letter issued by Party A, and Party A has received photocopies of all approval certificates required by Party B in Annex 9 to this contract, and photocopies of proof that the operation insurance is fully valid and meets the requirements of this contract, Party B shall immediately notify Party A and the subdistrict office and town government to which each sub-project belongs and apply for the formal commencement of commercial operation for each sub-project. Domestic garbage removal service charge, domestic garbage comprehensive reduction collection station garbage disposal service charge, construction waste receiving field service charge and sewage treatment service charge shall be charged from the date of trial operation.
- (3) Party A shall notify Party B within 5 working days from the date of receiving the application for starting commercial operation. If not, Party A shall state the reasons at the same time. If the disagreement is caused by the town government or village committee to which Party A or each sub-project belongs, the town government or village committee to which Party A or each sub-project belongs shall be resolved within 10 working days after receiving the application. If it is not settled within 10 working days, Party A shall be deemed to have agreed to start commercial operation.
- (4) Party B shall ensure that each garbage sub-project is completed and accepted within 16th months after signing of this contract between the Commission Capital Party and Party A (in which the domestic garbage removal sub-project shall start commercial operation before July 1, 2018), starts trial operation within 17th months, and start commercial operation within 23th months. Each sewage sub-project shall be completed and accepted within 16th months after the signing of this contract by the social capital party and Party A (including three township sewage treatment plants, 7 provincial poverty villages (Liangwu Village, Jiangwan Town, Huyang Village, Chongyang Town, Wanhou Village, Chongyang Town, Jiulian Village, Zhongyang Town, Huangang Village, Zhongyang Town, Longgui Town, Shanqian Village and Fangtian Village, Longgui Town) and the rural sewage management facilities of Chongyang Village, Chongyang Town, are completed and accepted by the end of 2018. The trial operation will begin within the 17th month and the commercial operation will begin within the 23rd month.

- (5) The commencement of commercial operation shall not take place before the scheduled date of final completion without the prior written consent of Party A, which may be refused by Party A alone.
- (6) Party A or the town government or village committee to which each sub-project belongs shall not relieve Party B of any defect or delay in design or construction by inspecting and accepting all or any part of the construction project, issuing a completion notice and agreeing to start commercial operation

Chapter VIII Operation and Maintenance of the Project

Article 9 Operation and Maintenance

9.1 Basic Principles of Operation and Maintenance

During the whole project cooperation period, Party B shall manage, operate and maintain the project facilities at its own cost (including taxes) and risks in accordance with the provisions of this contract. Party B shall ensure that the project facilities are operated and maintained in accordance with the following provisions throughout the project cooperation period:

(a) Existing laws and regulations on enterprise operation in the state, Guangdong Province, Shaoguan City and Wujiang District, operation and maintenance related to town center cleaning, garbage collection and transportation, village cleaning, comprehensive garbage reduction treatment, sewage treatment and supporting pipe network projects, and other laws, standards and norms related to this project, as well as the requirements of approval documents for this project. The regulations, rules and standards related to this project that have been promulgated and implemented by the state or local authorities and promulgated from time to time thereafter shall apply to relatively new standards if they are inconsistent with the current standards.

(b) Quality assurance, quality control and production safety requirements set out in Annex 6.

(c) Supplementary requirements for project operation and maintenance as set out in Annex 20.

(d) Operation and maintenance manual and instruction manual and guidance provided by the manufacturer of the project facility equipment.

(e) Prudent practice in the operation of the project.

Party B shall ensure that the project facilities are always in good operation and can be safely and stably cleaned, collected and transported, comprehensively reduced treatment, accepted treatment of garbage within the scope of the project, as well as sewage and sewage treatment, so that it meets the prescribed discharge standards, air and other pollutants and noise meet the requirements of environmental protection.

9.2 Scope of Service

During the cooperation period of the project, Party B shall only provide services for the domestic garbage and sewage collected by the project. Without the prior written consent of Party A, Party B shall not accept the services of any third party's domestic garbage and sewage (except domestic garbage and sewage generated by the project itself).

9.3 Main Responsibility of Party A

- (1) Party A shall pay the project service charge in accordance with the provisions of Article 11, assign a commissioner or a third-party regulatory agency to Party B in accordance with Article 17.1, continuously operate the online monitoring system (town-level or above sewage treatment plant) on each operating day, and regularly verify and assess it in accordance with Annex 17.
- (2) Assist Party B in dealing with emergencies.
- (3) Jointly organize and set up the Operation Coordination Committee with Party B.

9.4 Main Responsibility of Party B

- (1) From the date of starting commercial operation, Party B shall continuously clean, collect and transport, reduce treatment, collect and treat sewage (except as otherwise stipulated in this contract), transfer the collected garbage to the delivery point according to the contract, and carry out comprehensive reduction treatment in accordance with the provisions; The collected sewage shall be treated to meet the effluent quality standards stipulated in Annex 2 and discharged to the delivery point.
- (2) During the whole operation period, Party B shall operate and maintain the supporting pipe network collection system and sewage outlet pipe in accordance with the provisions of Annex 6.
- (3) Party B shall discharge the waste generated by the project reasonably in accordance with the relevant laws and regulations of China and the requirements of Technical specifications and requirements in Annex 4.
- (4) Party B shall handle its business and affairs seriously and effectively in accordance with applicable laws, reasonable commercial standards and prudent project operation practices, submit financial statements reflecting its operation to Party A in accordance with Annex 15, and ensure its authenticity.
- (5) Party B shall pay attention to the maintenance and management of the pipe network in the course of operation to ensure the sewage collection and quality of the pipe network, and the emission reduction effect of the town-level project meets the assessment requirements of the national, provincial and municipal environmental protection departments. Rural sewage treatment facilities should operate steadily for a long time.
- (6) Party B shall carry out environmental monitoring, proper treatment, timely treatment and discharge of unavoidable pollutants according to the provisions of this contract in accordance with the provisions of this contract.

(7) Party B shall operate and maintain the project facilities in accordance with Annex 6 and the Operation and maintenance Manual.

(8) The cost of equipment replacement and overhaul of the facilities of each sub-project shall be borne by Party B.

(9) During the whole project cooperation period, Party B shall fully consider the environmental impact, maintain the ecological environment, effectively improve environmental quality and improve the effect of pollutant emission reduction in accordance with the provisions of this contract.

(10) Party B shall establish and improve the production safety system and the emergency mechanism for accidents, and formulate the production safety system and emergency plan to Party A for filing 30 days before the final completion of the project in accordance with the provisions of Annex 19.

(11) Party B shall accept and cooperate with the supervision, evaluation and performance appraisal carried out by Party A in accordance with the provisions of this contract and other relevant government departments in accordance with applicable laws and regulations.

(12) Sewage treatment shall comply with the provisions of Annex 13 to this contract.

(13) Party B shall always maintain the following qualifications and conditions during the operation period of the project:

(a) Have all the necessary qualified operation and maintenance personnel for the project, and provide Party A with copies of such personnel.

(b) Have technical facilities and equipment suitable for and matched with the operation and maintenance operations of the project.

(c) Have safe and efficient production procedures and emergency handling system suitable for the operation and maintenance of the project.

9.5 Operation and Maintenance Manual

During 30 working days before the final completion of the project, Party B shall compile the operation and maintenance manual in accordance with the provisions of Annex 6 to this contract and submit it to Party A for filing. The manual should include production operation, daily maintenance, quality inspection system, equipment and facility maintenance content, procedure and frequency, regular maintenance system, information management system, monthly operation report system, report system, etc. The operation and maintenance manual shall be regarded as part of Annex 6 to this contract from the date of filing by Party A.

9.6 Temporarily Out of Service

In the event of planned suspension of service, Party B shall submit this year's maintenance plan before January 10 of each year, and report the heavy maintenance and updates to Party A. Party A shall give a written reply or approval before the scheduled suspension of service starts, and Party B shall do its best to minimize the impact of the planned suspension in order to maintain not less than 70% of the design collection / processing capacity of the project during the planned suspension. The service shall be suspended for no more than 15 operating days in each operating year.

In the event of unplanned suspension of service, Party B shall immediately notify Party A, explain the reasons and try its best to resume normal service within 24 hours. If the unplanned service is suspended for more than 24 hours due to Party B, Party B shall pay the penalty for insufficient actual reception of domestic garbage / insufficient amount of treated water in accordance with this contract. If the service is suspended for more than 15 operating days during the planned suspension period and / or for more than 150 hours due to Party B's unplanned suspension, after consultation and confirmation by both parties, Party B clearly indicates that it is unable to continue to provide services, Party A has the right to take over the project, and Party A has the right to require Party B to bear all costs incurred during the takeover period.

9.7 Environmental Protection

9.7.1 Basic Provisions on Environmental Protection

Party B shall always abide by the applicable laws and regulations relating to environmental protection and the provisions of this contract.

Party B shall not cause pollution of the project land (including soil, ground water or surface water and air) or the surrounding environment due to the construction, operation and maintenance of the project facilities.

During the construction, operation and maintenance of the project facilities, Party B shall take all reasonable measures to avoid or minimize interference to the buildings and residential areas around the project facilities.

However, Party B shall not be responsible for any of the following situations: (1) Existing or potential environmental pollution problems before the date of construction (or takeover); or (2) Environmental pollution problems caused by the acts or omissions of a third party.

9.7.2 Environmental Monitoring of Each Sub-Project

Party B shall set up monitoring points at its own expense, equip environmental monitoring instruments and set up special monitoring personnel to monitor the monitoring contents specified in the preceding Article, and provide Party A with a monthly report in accordance with the provisions of the project design document. The report shall set out the monitoring indicators and descriptions of each monitoring point, and at least provide a table of environmental impact monitoring accepted by Party A. The instruments and equipment and sampling methods used in environmental monitoring as well as the time interval of environmental monitoring projects shall comply with the relevant national technical standards and regulations.

Party B shall carry out daily maintenance and regular inspection of sampling, laboratory and monitoring instruments and equipment in accordance with the regulations. The maintenance and approval of the above-mentioned measuring instruments shall be completed by the professional and technical supervision department. The cost of maintaining and overhauling instruments and equipment shall be borne by Party B.

The relevant environmental protection departments have the right to carry out regular or irregular environmental monitoring and inspection of Party B, but Party A shall carry out such irregular monitoring and inspection at its own expense or entrust a third party to carry out such irregular monitoring and inspection. The result of the inspection proves that if the index monitored by Party B is not accurate or if the index exceeds the standard, the inspection cost shall be borne by Party B.

9.8 Failure to Perform Maintenance

If Party B violates its obligation to maintain the project facilities under Article 9. 5, Party A may notify Party B of the breach and complete the corrective maintenance within a time limit. Party B shall carry out necessary corrective maintenance of the project facilities after receiving the above notice. If Party B fails to carry out corrective maintenance within such time limit, Party A shall have the right to carry out corrective maintenance of the project facilities in accordance with the payment under the maintenance guarantee of Annex 11.

9.9 Operations Coordination Committee

(1) Within 20 working days after signing of the project contract between Party B and Party A, both parties shall establish an operation coordination committee composed of three representatives of Party B and three representatives of Party A (if matters relating to the town or village are involved, the government representative shall include a representative of the town government or village committee involved). Either party may replace the members of its Operations Coordination Committee at any time after notice to the other party. The committee shall establish its procedures for convening meetings, keeping minutes of meetings and establishing professional sub-committee(if necessary) and the operation of them. The chairman of the first Operations Coordination Committee shall be appointed by Party A. The appointment of the chairman of the Operations Coordination Committee shall be enjoyed by both parties by rotation every twelve months. Any decision of the committee shall be adopted unanimously by all the members of the committee.

(2) The Operations Coordination Committee shall supervise and manage the construction, operation and maintenance of the project in accordance with the provisions of this contract, and assist in the settlement of related disputes.

(3) The parties shall require their members on the Operations Coordination Committee to deal with the matters involved in the Committee in an honest manner. Party B shall make reasonable efforts to adopt the decisions of the committee in the operation and maintenance of the project. Actions taken in accordance with the decisions of the Operations Coordination Committee must also comply with the terms of this contract.

(4) The Operations Coordination Committee shall do its best to resolve disputes that arise.

(5) The related expenses of the Operations Coordination Committee (except the wages of the representatives of each party) shall be borne by Party B.

(6) The Operations Coordination Committee shall not be interpreted as the board of directors, the management committee and the shareholders' meeting. The decision of the Operations Coordination Committee shall not relieve or increase any obligations of either party under this contract, shall not prejudice the rights of both parties under this contract.

Chapter IX Restrictions on the Change of Equity

Article 10 Restrictions on the Transfer of Equity

Annex 7 is a list of the original shareholders of the project company and their respective shares in the registered capital. Party B shall make provisions in the Articles of association of the company to ensure that within 10 years from the effective date of this contract to the date after the commencement of the commercial operation, no shareholder shall transfer the equity unless required by applicable law or with the prior written approval of Party A and ensure that the transfer of equity of social capital must be submitted to Wujiang District Housing and Urban-Rural Development Bureau for approval 10 years after the date of commercial operation. Equity transfer includes internal transfer and external transfer.

The Articles of association of the project company shall make provisions on the change of equity and the reduction of registered capital of the company to ensure that the regulations of the company reflect the restrictions of this contract on the change of equity and the reduction of registered capital of the project company.

The premise for the project company to transfer all or part of its equity at the project company is that the transferee shall meet the basic conditions such as technical capability, financial credit, operation and maintenance experience stipulated in this contract, and has been clearly stated in writing. After it becomes a shareholder of the project company, it shall supervise and ensure that the project company continues to bear its obligations under this contract. These equity transfers will not have any impact on the performance of this contract and the implementation of the project by the Project Company and the Housing and Urban-Rural Development Bureau of Wujiang District.

Despite the above-mentioned restrictions, in order to meet the demand for policy loans, third parties approved by the government and approved in writing by Party B have the right to transfer equity to become shareholders of the project company.

Article 11 Calculation and Payment of Charges

11.1 Calculation of Project Service Charge

For different categories of sub-projects in this project, the specific calculation standards and methods of project service charges under this contract are detailed in Annex 18.

11.2 Adjustment of Unit Price and Charges

11.2.1 The unit prices and charges mentioned in this contract refer to the transaction price quoted by the social capital party when it wins the bid, as detailed in Annex 18. Party B has the right to submit an application for relevant price adjustment to Party A in accordance with the provisions of Annex 18. Party A may also make a request for price adjustment on its own. The price adjustment procedures and calculation methods shall comply with the provisions of Annex 18.

11.2.2 Adjustment of project service charge by performance appraisal.

According to the provisions of Article 17, Party B and Party A shall engage a third party to evaluate the performance of Party B every year, the main evaluation criteria shall be referred to Annex 17, and the project service charge to be paid by Party A in that operating year shall be calculated according to the calculation method of Annex 18. If the project company fails to meet the performance standards, the corresponding project service charge shall be deducted according to the impact of the failure on the project.

11.2.3 The influence and adjustment of liquidated damages or compensation on project service charge.

The project service charge shall be settled in accordance with the liquidated damages, compensation and compensation calculated in accordance with the provisions of this contract and / or applicable laws.

11.3 Determination of Total Investment in Project Construction

11.3.1 Tentative and Approved Total Investment in Project Construction

The total investment in the construction of the project is all the expenses raised and invested by Party B for the construction of the project and confirmed by the Wujiang District Housing and Construction Bureau, including pre-consulting service charges, project construction and installation costs, equipment and equipment purchase costs, other construction expenses, bottom working capital and interest during the construction period. The total investment of the winning construction project determined by the social capital party in signing the PPP contract version will be regarded as the provisional total investment of the project construction (hereinafter referred to as the "provisional total investment of project construction"). The final determination of the final amount of the total investment in project construction must be adjusted by the Wujiang District Finance Bureau and the approved investment amount in accordance with the valuation principles stipulated in Section 11.5 of this Agreement. (hereinafter referred to as "approved total investment in project construction").

11.3.2 Adjustment and Determination of Total Investment in Project Construction

(1) Tentative and approved total investment in project construction

The total investment in the construction of the project is the total cost raised and invested by Party B for the construction of the project and confirmed by Party A and the project supervisor, including pre-consulting service charges, project costs, other construction costs, reserve fees, bottom liquidity and interest during the construction period. The total investment in project construction determined in the bidding documents will be regarded as the provisional total investment in project construction (hereinafter referred to as "provisional total investment in project construction"). The final amount of the total investment in project construction shall be determined by the preliminary design estimate price approved by Wujiang District Development and Reform Bureau (hereinafter referred to as "approved total investment in project construction").

(2) Adjustment and determination of total investment in project construction.

If the approved total investment of the project is more than or less than the provisional total investment of the project, it shall be uniformly examined and confirmed after the completion and acceptance of each sub-item 0, the average increase or decrease in the operating period shall be increased or reduced to the service charge that Party A shall pay to the item company in each operating month during the operating period.

11.4 Use of Project Investment Funds of Party B

(a) Party B shall use the investment funds through a special account opened by the bank.

(b) Party B shall ensure that the project funds will be deposited into the project special account on time in accordance with the fund use plan, and shall be paid in full and on time in accordance with the fund use plan and contract measurement.

11.5 Principles of Investment Valuation

The total investment of the project includes all the expenses invested in the construction of the project, such as construction cost, equipment and installation cost, pre-project cost, project other expenses, etc. The total construction investment shall be adjusted and added only due to the design changes proposed or agreed by Party A in writing, according to (1) The actual project quantity (project construction drawings and modified drawings). (2) The latest edition of "Measures for Compilation of Budgetary Estimates for Municipal Engineering Design", "Measures for Compiling Budgetary Estimates for Construction Projects of Guangdong Province", "Valuation and Standardization of Bill of Quantities of Construction Projects" (GB50500), "General Rules for Valuation of Construction Projects of Guangdong Province", "Comprehensive Quota of Construction and Decoration Engineering of Guangdong Province", "Comprehensive Quota of Installation Projects of Guangdong Province", "Comprehensive Quota of Guangdong Municipal Engineering", "Comprehensive Quota of Landscaping Projects in Guangdong Province and Circular of Guangdong Housing and Urban-Rural Construction Department on Adjusting the Valuation Basis of Construction Projects in Guangdong Province after Changing Business Tax to Value-Added Tax (Guangdong Construction City letter [2016] No. 1113) and other relevant provisions for calculation. (3) The material price and labor cost price shall be carried out in accordance with the regulations on the relevant supporting pricing files such as Shaoguan cost information on the actual construction date of sub-projects; The materials not available in the information price shall be priced in the way confirmed by both parties, the equipment that is not available in the information price shall be subject to the price determined by Party B in the bidding with reference to the government's purchase regulations.

The pricing rules for other fees for construction projects shall prevail in accordance with the bid-winning method of public bidding.

11.6 Payment of Project Service Charge

Project service charge sub-projects are paid on a monthly basis, and sub-projects that have started operation shall pay project service charges at the beginning of operation. Party B shall issue a bill or payment notice to Party A on the amount of project service charge calculated in accordance with the above-mentioned terms within the first 5 working days of the next month after the end of each operating month, and provide Party A with a monthly operation and maintenance report at the same time.

After receiving the relevant materials, Party A shall calculate the total project service charge payable in accordance with this Article and submit the payment report to the District Finance Bureau for examination and approval, and then to the People's Government of Wujiang District for examination and approval. Except for special reasons, the time for examination and approval shall not exceed 30 working days; After approval, Party B shall be informed to provide invoices for renewal (the payment procedure shall finally be carried out in accordance with the local regulations at the time of the implementation of the project). If Party A has a dispute over the bill, Party A shall notify Party B within 5 working days after receiving the notice of payment, and both parties shall submit it to the Operations Coordination Committee for settlement through consultation. Party A shall not delay the payment of the project service charge due to Party B under this contract without any reason.

If Party B has any objection to the assessment results, and the review results are not completed before the aforementioned payment application of Party B, Party B shall first apply for payment according to the assessment results of Party A, and indicate in the payment application that the assessment results have not yet been completed. If the review result is determined and the operation service charge needs to be increased according to the review result, Party A shall pay the increased operation service charge when paying the operation service charge for next month, and Party B shall attach the results of the review of the previous period by both parties when applying for payment next month; If there is no next month, Party A shall arrange to pay within 3 working days after the result of the review is determined.

11.7 Subsidy from the Superior Government

Party B shall cooperate with the government departments to apply for provincial and national subsidies for this project, and the amount of subsidy obtained shall be owned by the Wujiang District Government, and the special funds shall be used for the financial payment of the project.

Chapter X Performance Guarantee

Article 12 Performance Guarantee and Maintenance Guarantee

12.1 Performance Guarantee

- (1) Before or at the same time before the effective date, Party B shall submit to Party A a performance guarantee with reference to the format of Annex 10. The amount of the performance guarantee is 3 million yuan and shall be issued by a financial institution acceptable to Party A to ensure Party B's performance of Party B's obligations relating to the design and construction of the project under this contract.
- (2) The period of validity of the performance guarantee shall be the later of the effective date of the maintenance guarantee submitted by Party B in accordance with Article 12.2.
- (3) If the project cooperation period ends before the expiration of the performance bond referred to in Article (2) above, the performance bond shall be extended until the expiration of 12 months after the date of transfer.
- (4) If Party A receives the money under the performance guarantee during the construction period of the project, Party B shall ensure that the amount of the performance guarantee will be restored to the amount specified in Article (1) within 15 working days after the payment is made by Party A. and provide Party A with evidence that the performance guarantee has been restored.

12.2 Maintenance Guarantee

12.2.1 Issue of maintenance guarantee

Before the latest date of commercial operation of a sub-project, Party B shall issue a maintenance guarantee to Party A in the form of a bank guarantee acceptable to Party A covering the entire cooperation period of the project except the term of the performance guarantee, which shall be valid from the date of termination of the performance guarantee to the expiration of 12 months after the date of transfer. Please refer to the Annex 11. The maintenance guarantee letter is the guarantee for Party B to perform the operation, maintenance, transfer and guarantee period of the project under this contract. When providing a letter of guarantee by installments, the next letter of guarantee must be provided one month before the end of the previous period of guarantee, and the starting date of the next letter of guarantee shall be equal to or earlier than the closing date of the previous period of guarantee to ensure the continuity of the letter of guarantee. The last guarantee shall be valid until the expiration of 12 months after the date of transfer.

The amount of the letter of guarantee is 3 million yuan.

12.2.2 Amount of Resumption of Maintenance Guarantee

If Party A receives the money under the maintenance guarantee during the project cooperation period, Party B shall ensure that the amount of the maintenance guarantee will be restored to the amount specified in Article 12.2.1 within 10 working days after the payment by Party A, and provide Party A with evidence that the maintenance guarantee has been restored.

12.2.3 Responsibility for Maintenance

Party A shall exercise the right to redeem the money under the guarantee without prejudice to Party A's other rights under this contract, and shall not relieve Party B of its obligations to perform the operation, maintenance, transfer and guarantee period of the project.

12.3 Discharge of Maintenance Guarantee

Party A shall cancel the balance of all or outstanding maintenance letters within 20 working days after 12 months from the date of transfer.

12.4 Redemption of Guarantee

Unless otherwise stipulated in this contract, Party A shall have the right to collect liquidated damages for any breach of contract by Party B by means of redeeming the amount of the guarantee. If the letter of guarantee has not been submitted or the amount of the letter of guarantee is insufficient, Party A shall have the right to deduct or otherwise require Party B to pay from the amount payable to Party B.

Chapter 11 Government Commitment

Article 13 Obligations Undertaken by the Government and Support Provided

1. Pay the project service charge to Party B on time according to the provisions of this contract.
2. During the project cooperation period, assist Party B to handle all kinds of approvals related to the project required by the relevant government departments and keep the approvals valid.
3. Assist Party B in connecting the construction outside the red line of each sub-project land and the construction of municipal supporting facilities such as water supply, power supply facilities and access roads during operation, and be responsible for coordinating water supply, power supply and other departments to ensure normal work and life during the construction and operation of the project.

4. Coordinate the town governments and village committees to provide project land to Party B, and complete the requisition, demolition and relocation of the project land.
5. Assist Party B to obtain tax benefits in accordance with the applicable law.

Chapter XII Insurance

Article 14 Insurance

(1) During the project cooperation period, Party B must purchase insurance at its own expense in accordance with the provisions of Annex 8. Under reasonable commercial conditions, insurance should be carried out in accordance with the principle that insurable risks should be insured. After purchasing the insurance, Party B shall submit a copy of the insurance contract to Party A for filing.

(2) Party B shall:

- a) Be officially permitted to purchase all the above insurance from reputable insurers operating in the People's Republic of China.
- b) Include Party A as an insurer in the insurance policy indicated in Annex 8.
- c) All insurance policies require the insurer to give Party A at least 30 days' written notice in accordance with Annex 8 before canceling or making major changes to the insurance.
- d) For the benefit of Party A, urge the insurer to waive the right of subrogation in accordance with the provisions of Annex 8.
- e) Other Articles refer to the standard terms of the insurance company.

(3) If Party B does not purchase or maintain the insurance required by this contract, Party A shall have the right to purchase such insurance and to redeem the amount of premium to be paid from the performance guarantee or maintenance guarantee in accordance with this contract.

(4) The type and amount of insurance insured by Party B shall not be changed at will without the written consent of Party A. If it is not the negligence or intentional act of Party B and is unable to insure some special insurance, it shall not be regarded as Party B's breach of contract.

Chapter XIII Change of Laws

Article 15 Changes in Laws

15.1 Legal Changes of Party B

(1) If (i) The investment cost of Party B in the remaining project cooperation period increases by equal to or more than RMB 5 million due to one or more legal changes during three consecutive years, and / or (ii) The annual operating cost increases by equal to or more than RMB 1 million due to one or more legal changes in any year, the above increase has not been compensated for the legal changes beneficial to Party B, and the aforementioned increase has been determined by audit institutions qualified for practice in China approved by both parties, Party B has the right to require Party A to make corresponding compensation to Party B by extending the project cooperation period or in other ways agreed by both parties in that year, so as to achieve basically the same economic status when these legal changes do not occur. The above-mentioned expenses incurred in employing an audit institution shall be borne by Party B.

(2) If Party B's economic status is not restored and is limited to the fact that this contract cannot be carried out due to a legal change, the legal change shall be regarded as force majeure.

15.2 Legal Changes of Party A

(1) If (i) Party B reduces the investment cost of the project during the remaining period of the project by equal to or more than RMB 5 million due to one or more legal changes during three consecutive years, and / or (ii) in any year, one or more legal changes reduce the annual operating cost by the equivalent or more than RMB 1 million, the reduction is not offset by any increase in investment or expenditure caused by other legal changes, and the aforesaid reduction is determined by an audit institution qualified to practise in China approved by both parties, Party A has the right to notify Party B in writing to reduce the project service charge or offset the project service charge payable or offset the compensation / liquidated damages payable by Party A or other means agreed by both parties. So that the economic status of Party B is basically the same if there is no change in the law. The expenses incurred in the employment of audit institutions mentioned above shall be borne by Party A.

(2) If the economic status of Party B cannot be restored and the performance of this contract cannot be continued due to the change of law, the change of law shall be regarded as force majeure.

Chapter XIV Force Majeure

Article 16 Force Majeure

16.1 Definition of Force Majeure

Force majeure refers to events or situations that cannot be reasonably foreseen, overcome and avoided at the time of signing this contract. According to the above conditions, force majeure includes, but is not limited to:

- (1) Lightning, earthquakes, volcanic eruptions, landslides, floods, tsunamis, typhoons or tornadoes.
- (2) Outbreak of plague.
- (3) Acts of war, incursions, armed conflicts or acts of foreign enemies, blockades or the use of military forces, riots or terrorist acts.
- (4) Strikes of a national, regional, urban or industrial nature.

16.2 Obligation to Actively Remedy Force Majeure

- (1) Notify the other party of the occurrence of the event or situation as soon as possible, and estimate the expected duration of the event or situation and the possible impact of its performance of its obligations under this contract.
- (2) Make all reasonable efforts to continue to perform its obligations under this contract.
- (3) Take action as soon as possible to correct or remedy an event or situation that results in exemption from performance of obligations.
- (4) Make all reasonable efforts to mitigate or limit the damage caused to the other party.
- (5) Notify the other party periodically of its actions or plans of action taken under subArticles (2), (3) and (4) above, and immediately notify the other party when the event or circumstances leading to its exemption from obligations no longer exist.

16.3 Revision of the Schedule

After the occurrence of an event of force majeure, if the party claiming to be affected by force majeure has performed the procedures set out in Article 16.2, any time limit for the performance of an obligation stipulated in this contract shall be extended at the request of the affected party, and shall be extended accordingly at the same time as the force majeure affects the performance of the obligation.

If an event of force majeure occurs during the operation period and the party claiming to be affected by force majeure has complied with the procedures set out in Article 16.2, the operation period must be extended for a period equal to the period of suspension of the obligation due to the event of force majeure.

16.4 Charge

In the event of an event of force majeure, either party must bear the expenses and charges caused by the event of force majeure. Party B's losses caused by force majeure shall be compensated by insurance.

16.5 Termination Caused by Force Majeure

If any event of force majeure prevents one party from performing its obligations for more than 180 consecutive days from the date of occurrence of such force majeure, the parties shall negotiate the conditions and time for the continued performance of this contract or agree to terminate this contract. If both parties cannot agree on the conditions and time for continued performance or the termination of this contract within 240 days after the occurrence of force majeure, and the non-unanimous settlement of the event of force majeure will have a material impact on the smooth progress of the project, either party may terminate this contract by notice to the other party in writing in accordance with Article 20.3.

Chapter XV Supervision and Intervention of the Government

Article 17 Supervision by the Government

17.1 Supervision, Assessment and Evaluation of Party A

17.1.1 Regulatory Principles

(1) Party A and its appointed commissioner or third party regulatory authority shall have the right to enter the project facilities at any time and supervise the operation and maintenance of the project facilities in accordance with the applicable law and the provisions of this contract, and require Party B to correct the relevant breach of contract or violation of the law in accordance with this contract or applicable law. Party B shall accept and cooperate with such supervision and inspection. However, Party A shall not interfere, delay or interfere with Party B's performance of its obligations under this contract.

(2) Party B shall make the service pledge of this project according to the applicable law within 60 days from the effective date of this contract, announce it to the public after the approval of Party A, and accept the supervision of the public.

(3) Party A has the right to require Party B to submit statements, reports and materials related to production and operation, but it shall be kept confidential and shall not be disclosed to any unrelated third party (except where the relevant government administrative agencies exercise administrative functions and powers). Party B shall reply to the questions raised by Party A in a timely manner, which shall not exceed 5 working days under any circumstances.

(4) Party B shall promptly announce to the public the service quality, service commitment, technical standards and other information related to public interest and public safety in accordance with the provisions of the applicable law and the requirements of Party A.

(5) Party B shall inform the public supervision body established in accordance with the applicable laws and instructions of government departments at that time on the operation of Party B and the standard and quality of the service of the project, and shall be subject to the supervision of the public supervision body.

(6) If Party A finds that Party B has committed any violation, Party A shall have the right to stop it on the spot and notify the principal person-in-charge of Party B. Party B shall organize rectification in time and submit the rectification situation to Party A in writing within two working days. If Party A finds that Party B has obvious violations or breach of contract or there are major safety risks in operation, Party A has the right to request Party B to stop production and rectification until it meets the operation requirements, and the relevant expenses and losses arising therefrom shall be borne by Party B.

17.1.2 Performance Appraisal

Party A or the third-party organization hired by Party A shall carry out the performance evaluation of the project according to Annex 17 within 5 working days after the end of quarterly operation. Both parties agree that in accordance with Article 11.5, the performance appraisal shall be linked to the payment of the project service charge.

According to the actual situation and the changes of user demand, Party A has the right to adjust, increase or decrease the indicators and standards of performance appraisal.

17.1.2.1 Confirmation of Performance Appraisal Results

Party B shall submit the "Operation report" to the performance appraisal third party within 10 days after Party A sends the assessment notice. Performance appraisal third-party institutions carry out performance appraisal by reading the "Operation report", obtaining monitoring data from the Environmental Protection Bureau (or third-party professional institutions approved by the three parties), inspecting the operation site, and visiting stakeholders. Within 15 days after the implementation of the performance appraisal, the performance appraisal results report (review version) shall be completed and submitted to Party A.

Party A examines the report on the results of performance Appraisal (review version). If in doubt, Party A may ask the third party for clarification and explanation. If there is no objection, Party A shall organize and compile the performance appraisal result notice according to the contents of the performance appraisal result report (review version), and shall ensure that the above-mentioned "performance appraisal result notice" will be sent to Party B within 5 working days after receiving the performance appraisal result report. If Party B has no objection, it shall sign and confirm the performance Appraisal results report, and each party shall keep one copy for filing. If Party B has any objection, it shall be settled in accordance with the relevant provisions of Article 17.1.2.2.

17.1.2.2 Handling of Objections to Performance Appraisal Results

If Party B has any objection to Party A's "Notice of Performance Evaluation Results" issued by Party A for routine performance appraisal, Party B shall submit it in writing to Party A within 5 days after receiving the notification of the assessment result, and list the matters of objection, the reasons for the objection and the proposed solution. After receiving the written objection submitted by Party B, Party A shall supplement and demonstrate the dissenting organization held by Party B together with the third party of performance appraisal. If it is considered that the dissenting opinion is tenable after demonstration, Party A shall issue a new notice of performance Evaluation result, which shall be confirmed by the signature of Party B. If the objection is considered untenable after argumentation, Party B shall accept the performance appraisal results determined by Party A.

Supplementary argument: If the relevant assessment indicators need to be re-tested, the testing shall be jointly entrusted by both parties (if applicable) by a third-party testing institution, and the testing charge shall be paid by the party that is contrary to the test results. If the test result of the third party is consistent with the notice issued by Party A, the calculation basis of the project service charge shall be the performance evaluation result of Party A; If the test result of the third party is inconsistent with the notice issued by Party A, the performance appraisal result of the third party shall be used as the basis for the payment of the project service charge.

17.1.3 Contract performance evaluation mechanism

(1) Organization and content of the evaluation of contract performance

Without hindering Party B's normal production and business activities, Party A shall formulate an evaluation plan at its own expense, and regularly, organize third-party professional institutions (including technical, financial and legal professional institutions with professional experience and qualifications of similar projects and familiar with the contract provisions and conditions of this project) together with relevant government departments to conduct a comprehensive performance evaluation of Party B's implementation of this contract and its Annexes. The contents of the comprehensive performance assessment include, but are not limited to, Party B's performance of this contract and other relevant agreements of the project, the operation and maintenance of project facilities, the quality of project services, the legality and implementation of various systems, contract management and potential legal risks, financial management, and public opinion.

(2) Cycle of assessment

The project shall be evaluated annually in the first three years and every two years thereafter, and Party A may organize and carry out the interim evaluation if Party A deems it necessary.

(3) Correction within a time limit

In the course of the evaluation, Party A finds that Party B violates the applicable law and the situation stipulated in this contract and its attachments, or that the services provided by Party B do not meet the applicable law and the standards stipulated in this contract and its attachments, Party A shall require Party B to correct its violation of the applicable law or this contract and its attachments within the prescribed time limit according to the evaluation plan, and has the right to withdraw the corresponding amount under the maintenance guarantee letter according to Party B's breach of contract if the correction is not completed within the time limit.

17.1.4 Handling of Public Complaints

Party B shall formulate a public complaint handling system, open it to the public within 60H from the effective date in accordance with the applicable law and the requirements of Party A, and accept and handle public complaints about Party B's service quality, price, project operation and maintenance. The situation of public complaints shall be included in the assessment and scoring factors of Party B

17.2 Financial Statements

Party B shall seriously and effectively handle its business and affairs in accordance with applicable Chinese laws and reasonable financial and commercial standards and practices, and shall prepare and submit to Party A at least once a year the following financial statements that fully reflect all aspects of its operation, so that Party A and relevant government departments or third-party organizations entrusted by Party A can supervise all aspects of Party B's financial statements:

(a) Audited annual financial statements, including balance sheet, income statement and cash flow statement, made in accordance with generally accepted accounting practices and the applicable provisions of the company law of the People's Republic of China (as amended from time to time), and audited by qualified independent auditors.

(b) The quarterly statement of Party B's cash income and expenditure; and

(c) Other information on the financial situation of Party B as Party A and other relevant government departments may reasonably require from time to time to supervise Party B's compliance with Chinese law and this contract.

Article 18 Intervention or Interim Takeover

18.1 Intervention or Temporary Takeover

18.1.1 Party A's right to intervene in operation and maintenance or temporary takeover

Party A shall formulate an emergency plan for the temporary takeover of the project facilities in accordance with the applicable laws and local actual conditions, so as to ensure the interests of the public. Party B shall accept the temporary takeover and other control measures imposed by Party A in accordance with the applicable law and the provisions of this contract.

If Party B fails to operate and maintain any of the sub-projects in accordance with the provisions of this contract or applicable law, or if Party B does not have the ability to deal with emergencies, which causes or may lead to public interest and project safety being endangered, Party A has the right to give Party B notice of breach of contract. After receiving the above general knowledge, Party B shall, within 15 working days, make necessary corrections and remedies for the operation and maintenance of the project facilities, or promptly explain to Party A the reasons for its objection to the contents of the notice. If Party B fails to correct or remedy in time, or Party A thinks that Party B's reason is not valid, Party A shall have the right to decide to intervene in operation and maintenance or take over temporarily.

Party B shall permit Party A and its authorized representatives and their necessary tools, equipment and instruments and dispatch necessary personnel to enter and leave the project facilities. Party A shall ensure that the intervention in the operation and maintenance or temporary takeover work minimizes the interference to Party B's daily operation, and complies with all applicable laws, norms, prudent project operation practices and requirements that Party B shall abide by.

Both parties make it clear that Party A's right of intervention does not include any right to collect project service charges in place of Party B.

18.1.2 Costs and expenses of intervention or temporary takeover

Party B shall pay the reasonable expenses and expenses arising from the above-mentioned work after receiving the detailed records of the expenses and expenses provided by Party A. If Party B fails to pay such expenses and expenses within 20 working days after receiving such detailed records, Party A shall have the right to withdraw the same amount from the maintenance guarantee.

The provisions of this Article shall not affect Party A's right to require Party B to compensate Party B for any other losses suffered or to require Party B to pay liquidated damages in accordance with the provisions of this contract.

18.1.3 Improper intervention or temporary takeover of Party B

If Party B has any objection to Party A's intervention or temporary takeover or the cost of intervention, Party B has the right to bring up the dispute settlement mechanism stipulated in this contract. If Party A's intervention or temporary takeover is determined to violate the provisions of this agreement or applicable law and cause damage to Party B, Party A shall be responsible for compensating Party B for the losses suffered by Party A as a result of Party A's intervention in operation and maintenance or temporary takeover.

Both parties make it clear that the loss of project facilities caused by or as a result of Party A's intervention or temporary takeover shall be borne by Party A, except for the reasons of Party B.

Chapter XVI Mechanism for Handling Breach of Contract, Early Termination and After termination

Article 19 Compensation for Breach of Contract

19.1 Compensation

Either party shall be entitled to compensation for any losses, expenses and expenses suffered by that party as a result of the breach of contract by the defaulting party, which shall be paid by the defaulting party.

19.2 Measures to Mitigate Losses

The party that suffers a loss as a result of the other party's breach of contract shall take reasonable action to mitigate the loss. If a party fails to take such measures, the defaulting party may claim to deduct from the amount of compensation the amount of loss that should be mitigated or reduced.

The injured party shall be entitled to receive from the other party reasonable costs incurred in taking action to mitigate the loss.

19.3 Losses Caused in Part by the Injured Party

If the loss is partly due to the act or omission of the injured party, the amount of compensation shall be deducted from the loss borne by these factors.

19.4 Irresponsible for Indirect Loss

Except as otherwise provided in this contract, neither party shall be liable for any indirect, special, loss of profits or incidental loss or punitive damages to the other party arising out of or under this contract or in connection with it.

Article 20 Early Termination

Except as otherwise provided in this contract, the term "termination of this contract", "termination of this contract" or "termination" referred to in this contract are for each sub-project, that is, the early termination of one sub-project does not affect the normal implementation of other sub-projects.

20.1 Termination of Party A

If the event mentioned in each of the following Articles is not caused by Party A's breach of contract or due to force majeure, if there is an allowable period for correction and Party B fails to correct within that period, it constitutes Party B's breach of contract, Party A shall have the right to immediately issue notice of termination intention and receive the deposit in the performance guarantee or maintenance guarantee:

- (a) Party B has a particularly serious quality and production safety accident due to poor management.
- (b) Party B ceases business without authorization, which seriously affects social and public interests and safety.
- (c) Party B shall liquidate or become insolvent in accordance with Chinese law.
- (d) Any declaration made by Party B in Article 3.2 is proved to have made a serious error at the time of making, which seriously adversely affects Party B's ability to perform this contract.

(e) Party B fails to actually pay the registered capital in accordance with the provisions of this contract.

(f) Party B stops work continuously for more than 60B without authorization.

(g) Party B has failed to carry out all the projects according to the schedule confirmed by Party A, and no substantial progress has been made within 20 days after Party A's written letter.

(h) Delay in the final completion date or the commencement of commercial operation due to Party B's reasons.

(i) Party B failed to carry out all the projects in accordance with the schedule confirmed by Party A, and no substantial progress has been made within 20 days after Party A's written letter.

Party B's failure to perform other obligations under this contract constitutes a material breach of this contract and fails to remedy the substantive breach within 15 working days of receipt of Party A's written notice stating its breach of contract and demanding redress.

20.2 Termination of Party B

If the event mentioned in each of the following Articles is not caused by Party B's breach of contract or due to force majeure, and there is an allowable period for correction and fails to correct within that period, it shall constitute a breach of contract by Party A, and Party B shall have the right to give immediate notice of termination intention:

- (a) Any statement made by Party A in Article 3.1 is proved to have made a serious mistake at the time of making, which seriously adversely affects Party A's ability to perform this contract.
- (b) Party A fails to fulfill its obligation to pay the project service charge to Party B in accordance with the terms of this contract.
- (c) Party A's failure to perform any of its other obligations under this contract constitutes a material breach of this contract and fails to remedy such material breach within 20 working days after receiving written notice from Party B stating its breach and demanding redress.

20.3 Notice of Intention and Notice of Termination

20.3.1 Notice of intention to terminate

Any notice of intention to terminate in accordance with Articles 16.5, 20.1 or 20.2 shall state the details of the breach and give the necessary negotiation period.

After the notice of termination intention is issued, both parties shall take measures to avoid termination of this contract during the negotiation period. If both parties agree on the measures to be taken and correct the breach of contract during the corresponding negotiation period, the notice of termination intention shall expire automatically immediately.

20.3.2 Termination Notice

At the expiration of the negotiation period, unless:

(i) Otherwise agreed between the parties; or.

(ii) The breach event that caused the notice of intention to terminate has been corrected, and the party who gave notice of intention to terminate shall have the right to give notice of termination.

20.4 General consequences of termination

In the event of early termination of this contract, both parties shall continue to perform their rights and obligations under this contract from the date of termination given by either party to the date agreed by both parties.

After the termination of this contract, both parties shall have no further obligations under this contract, except for any payments that may be due and payable under Article 20.6, and with the exception of payment obligations incurred prior to the expiration or termination of this contract and which have not been paid at the date of expiration or termination of this contract. The termination of this contract shall not affect the dispute resolution Article of this contract and any other provisions that remain in force after the termination of this contract.

20.5 Compensation after termination

20.5.1 Termination caused by Party B's breach of contract

After the effective date, if Party A terminates this contract in accordance with Party B's breach of contract in accordance with Article 20.1 (a) of this contract, Party A will fully redeem the amount of guarantee submitted by Party B's investor and / or Party B. otherwise, both parties will not bear further responsibilities and obligations. If Party A terminates this agreement as a result of other Party B's breach of contract, Party A shall have the right to recover Party B's relevant rights and interests in the project. After Party B transfers the project facilities to Party A and transfers the relevant rights and interests of the project to Party A, Party A shall pay Party B the compensation amount listed in item 1 of the compensation table in Annex 12.

20.5.2 Termination caused by Party A's breach of contract

After the effective date, if Party B terminates this contract as a result of Party A's breach of contract, Party B has the right to ask Party A to pay compensation and recover the relevant rights and interests of the project. After Party B transfers the relevant rights and interests and project facilities in the project to Party A, Party A shall pay Party B the compensation amount listed in item 2 of the compensation table in Annex 12.

20.5.3 Termination caused by force majeure events or legal changes

If any party terminates this contract in accordance with Article 20 due to force majeure or legal change, Party A shall pay Party B the amount of compensation listed in item 3 of Annex 12 compensation Table. After Party B transfers the relevant rights and interests and project facilities in the project to Party A, Party A shall pay the corresponding amount of compensation.

20.6 Transfer after termination

20.6.1 Party B shall transfer to Party A the rights and interests of all the projects provided for in Article 21.2 in accordance with Article 20.6.2.

20.6.2 Party A and Party B shall determine the amount of termination compensation in accordance with Article 20.5 within 10 working days. Party B shall transfer all rights and interests of the project facilities to Party A within 10 working days after determining the amount of compensation to be terminated. Party A shall pay the termination compensation within 15 working days after the transfer of all rights and interests in the project facilities.

Chapter XVII Transfer of Projects

Article 21 Transfer of project facilities at the expiration of the project cooperation period

21.1 Transfer Committee

Eighteen months before the expiration of the project cooperation period, Party A and Party B shall respectively send personnel to form the transfer committee, which shall be responsible for and handle the transfer work, and the number of representatives of both parties shall be the same. The chairman of the handover committee shall be appointed by Party A to organize the necessary meetings and talks, agree on the detailed procedures for the transfer of project facilities, determine the handover ceremony, and finally publish the handover information in the provincial newspaper and announce it to the public.

21.2 Scope of Transfer

The first day after the expiration of the project cooperation period is the transfer date, and Party B shall hand it over to Party A free of charge:

(1) All rights and interests of Party B in the project facilities, including:

- (a) Buildings and structures of the project facilities.
- (b) All machinery and equipment related to the use of the project facilities.
- (c) Ancillary facilities related to the project facilities.
- (d) All spare parts and accessories, chemicals and other movable property required by Article 21.4.
- (e) All technology and know-how, intellectual property and other intangible assets (including those acquired by license) required for the operation and maintenance of project facilities

(2) The various management charters, seals and operation manuals in use include proprietary technology, production files, technical files, secretarial files, books, design drawings, documents and other materials, so that the project can continue to operate smoothly and normally.

(3) The right to use the land and other rights related to the project site.

These assets shall be transferred to Party A without any liens, claims, mortgages, security rights or other claims of any kind. There shall be no environmental problems or problems left over by the project site on the handover date.

While handling the transfer work, both parties shall make clear the measures for the proper placement of the original employees of Party B after the expiration of the project cooperation period.

21.3 Final restorative overhaul and performance testing

21.3.1 Final restorative overhaul and performance testing

- (a) Party B shall overhaul the project facilities not earlier than 12 months before the date of transfer, in accordance with the final restorative overhaul plan agreed upon by the transfer committee, which must be completed 3 months prior to the date of transfer.
- (b) Through the final restorative overhaul, Party B shall ensure that the overall integrity rate of the key equipment of the project facilities reaches 90%, the overall integrity rate of other equipment reaches 80%, and there is no major damage to the structure of the project facilities.
- (c) If Party B fails to carry out the final restorative overhaul or meet the overhaul standard in accordance with the above requirements, Party A shall have the right to carry out the overhaul on its own with the corresponding amount of the maintenance guarantee. In this case, Party B shall be provided with a detailed record of the expenditure incurred.

21.3.2 Performance Testing

Prior to the handover date, the handover committee shall formulate performance test requirements and plans and conduct performance tests of project facilities in accordance with relevant standards and specifications. Party B shall ensure that all performance tests obtained from the test meet the requirements of Annex 6. If there is a gap in the performance test, Party A has the right to withdraw the corresponding charge from the maintenance guarantee to correct the above defects. If the amount of the guarantee is insufficient, Party A shall have the right to recover from Party B after paying the expenses.

21.4 Spare parts

21.4.1 On the handover date, Party B shall freely hand over to Party A the consumable spare parts and emergency repair spare parts required for the normal operation of the project facilities during the 12-month period as required by Annex 6, and submit a detailed list of spare parts.

21.4.2 Party B shall submit to Party A a list of manufacturers of all spare parts required for the production and sale of project facilities.

21.5 Guarantee Period

Party B shall bear the warranty responsibility for the quality defects of the project facilities (except for the damage caused by the improper use of the unit receiving the transfer) during the warranty period of 12 months after the handover. Party B shall carry out the warranty at its own expense within 2 working days after receiving the notice.

In case of emergency, or Party B fails to guarantee the warranty within 2 working days, Party A has the right to receive the corresponding amount of the maintenance guarantee for warranty, but shall inform Party B of the expenditure.

21.6 Assignment of contractor's guarantee

At the time of transfer, Party B shall be obliged to transfer to Party A free of charge all unexpired warranties and guarantees provided by contractors, manufacturers and suppliers, and to facilitate suppliers to supply equipment at the same preferential price in the past, at the time of transfer, Party A shall have the right to choose whether to accept the extension of the contract and bear all responsibilities arising therefrom.

21.7 Transfer Effect

Except for the provisions of Article 21.5, Party B's rights and obligations under this contract shall be terminated with the completion of the transfer, except as otherwise stipulated in this contract, Party A shall take over the operation of the project and enjoy all rights and obligations of the project.

21.9 Risk transfer

Party A shall bear the risk of all or part of the loss or damage to the project after the transfer, unless the loss or damage is caused by Party B's fault or breach of contract.

21.10 Cancellation and transfer of contract

On the premise of Article 21.2 and 21.6, Party B shall cancel the equipment contracts, supply contracts and all other contracts signed by Party B which are still in force at the time of transfer.

Chapter XVIII Applicable Law and Dispute Settlement

Article 22 Applicable Law and Dispute Resolution

22.1 Applicable Law

The applicable laws under this contract refer to all applicable Chinese laws, regulations, rules and all technical standards, technical specifications and all other applicable mandatory requirements issued by government departments.

22.2 Settlement through friendly negotiation between the two parties

In the event of any dispute, difference or claim arising from the interpretation of the terms of this contract (including any question as to its existence, validity or termination), the parties shall try their best to resolve such dispute, difference or claim through friendly negotiation. If the dispute is not settled within 15 working days, the provisions of Article 22.3 shall apply.

22.3 Friendly settlement by the Operations Coordination Committee

If the parties fail to resolve the dispute, difference or claim in accordance with Article 22.2, either party may refer the dispute, division or claim to the Operations Coordination Committee, which shall meet in a timely manner and try its best to resolve the dispute, difference or claim through negotiation. All disputes shall be settled amicably through consultation among the members of the Coordinating Committee, and the unanimous resolution of the Coordinating Committee shall be binding on the parties. If the dispute is not settled within 20 working days after the above request is made, the provisions of Article 22.4 shall apply.

22.4 Lawsuit

If the parties fail to resolve disputes, differences or claims in accordance with Article 22.3, either party may submit the dispute, division or claim to the court where the project is located which has jurisdiction under applicable law.

22.5 Performance during dispute settlement

Prior to the final determination of disputes, differences or claims, the parties shall continue to perform all their obligations under this contract and continue to enjoy all their rights under this contract, and shall make final adjustments in accordance with the award after the final decision has been made.

22.6 Continue to be valid

The dispute settlement Article stipulated in Article 22 shall remain in force after the termination of this contract.

Chapter XIX Annex to the Contract

Article 23 Catalogue of Annexes to the Contract

The Annex to this contract is as follows:

Annex 1 Letter of commitment from subdistrict offices, town governments and village committees of the project.

Annex 2 Influent and effluent quality indicators and project waste treatment standards for sewage treatment projects.

Annex 3 Geographical location of the project (or regional diagram).

Annex 4 Technical specifications and requirements.

Annex 5 Payment of services and facilities provided by the Government and upfront fees.

Annex 6 Technical proposal.

Annex 7 List of initial shareholders of Party B.

Annex 8 Insurance.

Annex 9 Approval, registration and verification required by Party B.

Annex 10 Format of performance guarantee.

Annex 11 Format of maintenance guarantee.

Annex 12 Termination of compensation.

Annex 13 Sewage treatment and safe disposal.

Annex 14 Project finance and financing programme.

Annex 15 Format of Party B's financial statements.

Annex 16 Penalty measures for breach of contract.

Annex 17 Performance appraisal methods and standards.

Annex 18 Project service charges, price adjustment formulas and procedures.

Annex 19 Emergency Plan.

Annex 20 Supplementary requirements for Project Operation and maintenance.

Chapter XX Others

Article 24 General Rights and Obligations of Party A and Party B

24.1 Confidentiality

All materials and documents (whether financial, technical or otherwise, but excluding non-sensitive information relating to the progress of the project) obtained by either party or its employees, contractors, consultants or agents shall be kept confidential if they have not been made public, and shall not be disclosed or disclosed to a third party during the five-year period after the end of the project cooperation period without the prior written consent of the other party, except as required by law. This undertaking shall remain valid after the termination of this contract.

24.2 Obligation of Cooperation and Duty of Advance Warning

The parties shall cooperate with each other to achieve the purpose of this contract and shall exercise and perform their respective rights and obligations under the same item in good faith. On this premise, the two sides agree:

(1) Except as otherwise provided in this contract, when one party requests the consent of the other party, the requested Party shall give such consent or approval within 10 working days or such other time as is reasonably necessary, and shall not unreasonably refuse or delay such consent or approval; and.

(2) If any event or situation that comes to the knowledge of either party is:

(a) Events or circumstances which are reasonably expected by that party to have a material adverse impact on either party's performance of its obligations under this contract or its ability to implement the project; and.

(b) It is reasonably expected that the other party will not be informed of the event or circumstances.

The party shall notify the other party of the event or situation as soon as possible.

Article 25 General Obligations of Party A

25.1 Non-Intervention

Party A shall not interfere in the internal management affairs of Party B, except in accordance with the law and the terms of this contract.

25.2 Improper Payment of Margin

If Party A receives the money in the bid guarantee, performance guarantee and maintenance guarantee submitted by Party B, and then Party B determines by ruling or other means that Party A has no right to redeem it, Party A shall refund the amount, and shall compensate Party B for all expenses and expenses incurred as a result, as well as the interest from the date of redemption to the date of refund. The interest is subject to the ceiling of the short-term (six-month) lending rate of the people's Bank of China at that time.

Article 26 General Obligations of Party B

26.1 Compliance with Applicable Laws

Party B shall always abide by the provisions of the applicable law when performing its obligations under this contract.

26.2 Labor Safety Standards

Party B shall abide by the current labor protection laws and regulations, respect the rights of employees and strictly implement safety regulations and relevant standards.

26.3 Coordination of Project Documents

Party B shall ensure that the financing documents, any contracts between shareholders, Party B's Articles of association, the cooperation contract, the insurance policy under this contract and any other contracts signed by Party B relating to this project are in compliance with the provisions of this contract and are able to perform this contract.

26.4 Taxes, Duties and Charges

Party B shall pay all taxes, duties and administrative charges in accordance with the applicable law.

26.5 Liability to contractors and their employees and agents

Party B shall not relieve Party B of any obligations under this contract if it employs any contractor and its employees and their agents. All acts or omissions of the contractor and its employees and their agents for the purposes of this contract shall be deemed to be the acts or omissions of Party B.

26.6 Compensation treatment of intellectual property rights

Party B shall be responsible for responding to and compensating for the litigation caused by intellectual property infringement that may occur in the construction, operation and management of the project.

Article 27 Alteration and Disposal of Asset Rights and Interests

27.1 Change of Party A.

Party A shall not assign or transfer all or part of its rights or obligations under this contract without Party B's prior written consent. Due to the change of Party A caused by the reform of government institutions, the new replacement government departments should:

(a) Have the ability to assume all the rights, obligations and responsibilities of the original Party A with respect to the project, and re-obtain the authorization of the government, and.

(b) Accept and fully undertake the performance of the obligations of the original Party A under this contract.

27.2 Disposal of Interests in Assets

For the purpose of financing the project, Party B may pledge the charging right of the project in accordance with the provisions of this contract. Party A shall not disagree without reason.

Without the prior written consent of Party A, Party B shall not assign, transfer, lease, mortgage, pledge all rights, agreements and / or interests of the project, such as assets, land, etc., nor shall it create any lien or security interest in the above assets, rights, agreements and / or interests or otherwise dispose of such assets, rights, agreements and / or interests.

Article 28 Rules of Interpretation

28.1 Modification

Any amendment, supplement or alteration to this contract shall be effective and binding only if it is in writing and signed by the authorized representatives of both parties and affixed with the official seal.

28.2 Separability

If any of the provisions of this contract are illegal, invalid or unenforceable, or are declared illegal, invalid or unenforceable by any competent court,

(a) Other provisions remain valid and enforceable.

(b) The parties shall amend provisions that are illegal, invalid or unenforceable to make them legal, valid and enforceable, and such modifications shall, as far as possible, balance the interests of the parties.

28.3 Interpretation Order

This contract consists of the following parts, and the order of interpretation of the contract is as follows:

1. Documents of a contractual nature such as supplementary contracts and memorandums signed by both parties to this contract.
2. Formally sign the version of the contract.
3. Initialled the contract.
4. Bid winning notice.
5. The purchase result confirms the negotiation memo.
6. Tender documents and supplementary documents for clarification.
7. Tender documents and supplementary documents for clarification.

Article 29 Other Provisions

29.1 Notification

The notice under this contract shall be delivered to or sent to the other party by hand, express delivery, mail, fax or e-mail at the following address:

Party A: Housing and Urban-Rural Development Bureau of Wujiang District, Shaoguan City.

Add: Huimin South Road No. 128, Wujiang District, Shaoguan city.

Postcode: 512026

Addressed to: Li Li

Fax:

Email address:

Party B: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Address: Room 317, F3, Cenjiao Enterprise Office Building, Huanggang Cen, Chongxia Management District, Longgui Town, Wujiang District, Shaoguan City.

Postcode: 512050

To: Xu Tao

Fax:

Email address: [*].

If there is any change in the addressee's address, telex fax number or email address of one party, the other party shall be notified in writing in time. The following shall be deemed to have been served: (i) if any communication is made by letter, when it is sent by hand, express or post (registered, request receipt) to the above address; and (ii) if by fax or e-mail, when accurately sent to the above fax number or e-mail address.

29.2 No Abstention

Neither party shall be deemed to waive any provision of this contract unless one party waives it in writing. Neither party's failure to strictly perform any of the provisions of this contract or the failure to exercise any of its rights under this contract shall be deemed to be a waiver of any of the above provisions or a waiver of any future exercise of any of the above rights.

29.3 Text of the contract

This contract is concluded in Chinese in sixteen originals, Party A holds six copies and Party B holds ten copies.

This contract shall be signed by the duly authorized representatives of both parties on the date indicated under their signatures, and both parties are willing to be bound by the law of this contract.

29.4 Payment of Funds

Any overdue payment under this contract shall bear interest at the default rate from the date of maturity to the date of receipt of the payment by the payee.

Any payment under this contract shall be made in RMB.

29.5 Signature and Entry into Force

This contract shall enter into force on the date of signature and seal of Party A, Social Capital Party and Party B.

After Party A signs the version contract with the social capital party and the project company, Party A and the social capital party are the primary obligees and obligors under the contract and bear the ultimate responsibility for the contract; the project company is the actual executor of the contract, specifically perform the obligations under the contract.

Implemented by (Party A)

[Seal] Housing and Urban-Rural Development Bureau of Wujiang District, Shaoguan
City

Name: /s/ HUANG Yishun

Title:

Date: August 2018

Social capital party

Shanghai Onway Environmental Development Co., Limited

[Seal] Shanghai Onway Environmental Development Co., Ltd.

Name: /s/ PENG Wenlie

Title:

Date: August 2018

Guangzhou Ruiyi Environmental Protection Technology Co., Ltd

[Seal] Guangzhou Ruiyi Environmental Protection Technology Co., Ltd.

Name: /s/ CHEN Huanlin

Title:

Date: August 2018

Guangdong Xifu Environmental Protection Technology Co., Ltd
[Seal] Guangdong Xifu Environmental Protection Technology Co., Ltd
Name: /s/ HUANG Zongcai
Title:
Date: August 2018

Guangdong Xinzhen Construction Engineering Co., Ltd
[Seal] Guangdong Xinzhen Construction Engineering Co., Ltd.
Name: /s/ ZHU Shixiang
Title:
Date: August 2018

Project company (Party B)
[Seal] Shaoguan Angrui Environmental Technology Development Co., Ltd
Name: /s/ MA Xiongbing
Title:
Date: August 2018

Annex 1 Letter of Commitment from Subdistrict Offices, Town Governments and Village Committees of the Project

(Separate volume)

Leading Group for Whole District PPP Project Package of Wujiang District Domestic Garbage and Sewage Treatment Infrastructure:

Our unit promises and guarantees:

1. Abide by and be subject to the obligations and responsibilities of the town / village under the jurisdiction of the PPP project contract for domestic garbage and sewage treatment infrastructure in villages and towns in Wujiang District.
2. Actively cooperate with and support Party A in fulfilling the rights and obligations under the contract of PPP project for domestic garbage and sewage treatment infrastructure in villages and towns of Wujiang District.
3. Provide the project land to Party B in accordance with the provisions of the PPP project contract for domestic garbage and sewage treatment infrastructure in villages and towns in Wujiang District.

XX Town People's Government (XX Village Committee)

YY-MM-DD

Annex 2 Influent and Effluent Quality Indicators and Project Waste Treatment Standards for Sewage Treatment Projects

I. Overview of the project

The whole district PPP project package of domestic garbage and sewage treatment infrastructure in villages and towns of Wujiang District includes three towns under the jurisdiction of Wujiang District, namely, Chongyang Town, Longgui Town and Jiangwan Town.

The specific construction contents are township sewage treatment plant and supporting pipe network, rural domestic sewage treatment facilities and supporting pipe network, domestic garbage removal and transportation system and domestic garbage treatment system. The total investment of this project is 134.1171 million yuan, including an investment of 55.8459 million yuan for the construction project of township sewage treatment plant and supporting pipe network, an investment of 64.4252 million yuan for the construction of rural domestic sewage treatment facilities and supporting pipe networks, an investment of 6.0016 million yuan for the domestic garbage removal and transportation system and 7.8444 million yuan for the domestic garbage disposal system.

The total design scale of township domestic sewage plant is 4300m³/d, and the supporting pipe network is 11.45km; the total design scale of rural domestic sewage facilities is 4360 m³/d ; the total design scale of township domestic garbage transfer is 37 t/d, the cleaning area of township center is 149000 m², the total scale of township village cleaning is 196 natural villages; the total scale of comprehensive reduction collection station is 9t/d (2 in total).

II. Sewage sub-project treatment standards (incoming and outgoing water quality indicators).

I. Town sewage treatment plant.

(1) Designed influent quality.

BOD₅: 120~150mg/L

COD_{Cr}: 250~300mg/L

SS: 120~200mg/L

NH₃-N: 30mg/L

TN: 30mg/L

TP: 5mg/L

PH: 6-9

Water temperature: 12 ~ 25 °C.

(2) Designed effluent quality.

According to the "Implementation Plan for Shaoguan City to Accelerate the Construction of a New Round of Domestic Garbage and Sewage Treatment Infrastructure", the newly built urban sewage treatment facilities are in accordance with the more stringent values in the Class A discharge Standard of Urban sewage treatment plants (GB18918-2002) and the local standards of Guangdong Province.

2. Rural sewage treatment facilities.

(1) Designed influent quality.

BOD₅: 60~120mg/L

COD_{Cr}: 150~200mg/L

SS: 100~150mg/L

NH₃-N: 10~25mg/L

TP: 1. 0-2.5mg/L

PH: 6-9

(2) Designed effluent quality

Implement the B standard of the first-level standard of the Pollutant Discharge Standard for Urban Sewage Treatment Plants GB18918-2002.

III. Waste disposal standards for garbage sub-projects.

1. Gas treatment standard

(1) Air Pollutant Emission Limits (DB44/27-2001)

(2) Domestic Garbage Incineration Pollutant Control Standard (GB18458-2014)

2. Fly ash treatment standard

(1) Control Standard for Pollutants in Domestic Garbage Incineration (GB 18458-2014)

(2) Identification Standard of Hazardous Wastes-Identification of Leaching Toxicity (GB 5085. 3-2007).

3. Noise standard

Environmental Noise Emission Standard for Industrial Enterprises (GB 12348-2008)

4. Other standards

Hygienic Standard for Design of Industrial Enterprises (GBZ1-2010)

IV. Other requirements

During the project cooperation period, if the compulsory standards applicable to new countries or industries are promulgated and implemented, Party B shall put forward a process adjustment or transformation plan that meets the requirements of the latest standards, which shall be demonstrated by experts and submitted to the district government for approval. Party A shall handle the transformation project in accordance with the capital construction procedures, and Party B shall be responsible for the completion of the transformation project under the supervision of Party A. The cost of the transformation process shall be determined by an audit institution qualified for practice in China recognized by both parties, the compensation shall be carried out in accordance with Article 15.1 of this contract, and the expenses incurred in employing the audit institution shall be borne by Party B.

Annex 3 Geographical Location of the Project (or Regional Diagram)

[separate volume]

Annex 4 Technical Specifications and Requirements.

I. Overall requirements

The project shall be constructed in strict accordance with the construction standards of urban sewage treatment plants, domestic garbage treatment projects or the technical specifications of rural sewage treatment facilities, strictly abide by the provisions of relevant laws and regulations such as the Construction Law, the Environmental Protection Law and the Product quality Law, as well as the requirements of national, local and industry mandatory standards.

II. Implementation of standards and norms

- (1) Implement the latest national or regional technical standards and specifications related to the project
- (2) for the monitoring requirements of materials and construction quality, the state has corresponding standards for the implementation of national standards, and if the national family has not promulgated the standards, the requirements of national advanced technical standards shall be adopted
- (3) The main standards and norms are:
 - Code for Design of Outdoor Drainage GB50014-2006 (2016 Edition)
 - Water Quota in Guangdong Province DS44 / T 1461-2014
 - Technical Code for Constructed Wetland Sewage Treatment Engineering HJ 2005-2010

Construction Standard of Sewage Treatment Project at Small Towns 148-2010
Technical Guidelines for Rural Sewage Treatment in Guangzhou in 2010
Technical Guidelines for Rural Sewage Treatment in Guangdong Province, 2007
The standard of Labor Quota of Urban Appearance and Environmental Sanitation Construction Standard [2008] No. 111
Quality and Evaluation Standard of Urban Road Cleaning CJJT126-2008
Technical Specification for Domestic Garbage Transfer Station CFF179-2012
Technical Specification for Construction Waste Disposal CJJ134-2009
Construction Standard of Domestic garbage treatment Project at Small towns Construction Standard 1492010
Malodorous Pollutant Discharge Standard GB14554-93
Environmental Noise Emission Standard for Industrial Enterprises GB12348-2008
Atmospheric Environmental Quality Standard GB 3095-2012
Comprehensive Emission Standard of Air Pollutants GB 16297-2013
Surface Water Environmental Quality Standard GB3838-2002
Groundwater Quality Standard GB/T 14848-93
Soil Environmental Quality Standard GB 15618-95
Water Pollutant Emission Limit DB44/26-2001
Air Pollutant Emission Limit DB44/27-2001
Code for Design of Outdoor Water Supply GB 50013-2006
General principles of Civil Architectural Design GB 50352-2005
Code for Fire Protection of Building Design GB 50016-2006
Code for Design of Low Voltage Distribution GB 50054-2011
Code for Design of Power Distribution for General Electrical Equipment GB 50055-2011
Code for Design of Lightning Protection of Buildings GB 50057-2010
Code for Electrical Design of Civil Buildings JGJ 16-2008
Code for Design of Power Supply and Distribution System GB 50052-2009
Code for Load of Building Structures GB 50009-2012

Code for Seismic Design of Buildings GB 50011-2010

Code for Design of Concrete Structures GB 50010-2010

Code for Acceptance of Construction Quality of Concrete Structure Engineering GB50204-2002 (2010 Edition)

Code for Design of Masonry Structures GB 50003-2011

Code for Acceptance of Construction Quality of Masonry Structures GB 50203-2011

Unified Standard for Reliability Design of Building Structures GB 50068-2001

Code for Design of Factory and Mine Roads GB J22-87

(4) If a new version of the relevant standard is issued before the preliminary design of the project, the project shall automatically implement the new version of this standard.

Annex 5 Payment of Services and Facilities Provided by the Government and Upfront Charges

Preliminary work

The social capital party and Party B shall undertake the results of the relevant preliminary work carried out by Party A, and agree to change Party A's completed project, environmental assessment, feasibility research and other main units to Party B.

Party A has completed the preparation of the feasibility study report and the employment of PPP consultants for the project, and the expenses required for the completion of these work shall be included in the total investment of the project, and the selected social capital shall be paid to Party A or its designated unit within 15 working days after the establishment of the project company. The specific amount is as follows:

Work content	Charge (ten thousand yuan)	Charge payment and time limit	Remark
PPP project consulting	Based on the actual occurrence	Within 15 working days after the establishment of the project company, Party A or its designated unit	—
Bidding agency	Based on the actual occurrence	Payment by the winning bidder in accordance with the requirements of the bidding documents	—

Note: Before the signing of this PPP project contract (applicable to the signed version of the project company), if other upfront costs are added, the government has the right to include this part of the new fees in this attachment, which shall be borne by Party B and included in the total investment of the project.

Annex 6 Technical Plan

The technical solutions provided by Party B shall include, but are not limited to, the following contents:

1. Project construction schedule

Table 1 Construction schedule of township sewage treatment project

Project schedule	Deadline
Complete the preliminary design	
Complete the design of construction drawings	
Complete the examination of construction drawings	
Scheduled start date	
Scheduled final completion date	
Scheduled start date of trial operation	
Scheduled completion acceptance date	
Scheduled date to start commercial operation	

Table 2 Construction schedule of rural sewage treatment project

Project schedule	Deadline
Complete the preliminary design	
Complete the design of construction drawings	
Complete the examination of construction drawings	
Scheduled start date	
Scheduled final completion date	
Scheduled start date of trial operation	
Scheduled completion acceptance date	
Scheduled date to start commercial operation	

Table 3 Construction schedule of domestic garbage removal and transportation project

Project schedule	Deadline
Complete the preliminary design	
Complete the design of construction drawings	
Complete the examination of construction drawings	
Scheduled start date	
Scheduled final completion date	
Scheduled start date of trial operation	
Scheduled completion acceptance date	
Scheduled date to start commercial operation	

Table 4 Construction schedule of domestic garbage comprehensive reduction collection station project

Project schedule	Deadline
Complete the preliminary design	
Complete the design of construction drawings	
Complete the examination of construction drawings	
Scheduled start date	
Scheduled final completion date	
Scheduled start date of trial operation	
Scheduled completion acceptance date	
Scheduled date to start commercial operation	

2. Project engineering design scheme (including optimization scheme)

- (a) Overall design description
- (b) Key technical and economic indicators
- (c) Description of the process route
- (d) Cost of the project
- (e) Design quotation and construction period

3. Construction organization plan of project project
 - (a) Organizational structure
 - (b) Preparation for construction
 - (c) Temporary works and facilities
 - (d) On-site recovery
 - (e) Safe construction, sanitary and epidemic prevention measures
 - (f) The duration of the project
 4. Commissioning and operation scheme of project project
 - (a) Debugging of the organization
 - (b) Commissioning schedule
 - (c) Debugging steps
 - (d) Debugging methods for major equipment
 - (e) System acceptance
 5. Project operation plan
 - (a) Maintain the management structure and staffing arrangements
 - (b) Maintenance of the operation manual
 - (c) Instrument management
 - (d) Statement system
 - (e) Testing
 - (f) Management of spare parts
 - (g) Environmental protection
 6. Emergency plan
 - (a) Emergency identification
 - (b) Measures taken
-

7. Project handover programme

Specific reference to Article 21.

Note: [] The technical scheme is described in the tender documents submitted in accordance with the procurement requirements of this project. Party B shall carefully investigate and supplement the technical plan in writing according to the requirements of Party A. The project design plan, construction organization plan, operation management plan, procurement and equipment, item plan and schedule date, construction, operation and maintenance plan, transfer plan, basic data of technical scheme and all the contents of technical scheme contained in the bid document, subject to the examination and approval of Party A, will be published separately as part of Annex 6 to this contract. It has the same legal effect as this contract.

Among them, if the contents of the technical scheme and supplementary documents stated in the bid documents are in conflict with this contract, this agreement shall prevail; if there is a conflict between the technical scheme stated in the tender documents and the supplementary documents, the supplementary documents shall prevail; If there is a conflict between the supplementary documents at the top and the supplementary documents at the bottom of the arrangement, the latter shall prevail.

Annex7 List of Initial Shareholders of Party B

[Shanghai Onway Environmental Development Co., Limited], accounting for 55% of the registered capital of Party B;

[Guangzhou Ruiyi Environmental Protection Technology Co., Ltd.], accounting for 20% of the registered capital of Party B.

[Guangdong Xifu Environmental Protection Technology Co., Ltd.], accounting for 4% of the registered capital of Party B

[Guangdong Xinzhen Construction Engineering Co., Ltd.], accounting for 1% of the registered capital of Party B

Annex 8 Insurance

I Insurance during construction

Party B shall take out and maintain the insurance of the following types of insurance at its own expense throughout the construction period. However, if such insurance cannot be obtained from the insurance company specified in Article 14 (2) of the project contract, or if such insurance cannot be obtained under reasonable commercial conditions, Party B shall not be obliged to obtain such insurance, and Party A shall not take out such insurance for Party B. except as provided above, Party B shall not relieve or restrict Party B's obligations under the same item.

a) All risks of construction and installation works

Scope of responsibility: During the construction, installation, operational testing and commissioning of the project facilities and during the following twelve (12) months, all general and usual insurable risks for the loss or damage of works, temporary works, materials and other items to be included in the project facilities. (including, but not limited to, fires, lightning, explosions, rainstorms, storms, typhoons, floods, floods, collapses, landslides, earthquakes, other accident losses, riots, strikes, civil strife, vandalism, design defects, craft defects and material defects).

Insured amount: The full replacement price of the project (but not less than the value of the construction contract).

Insurance period: From the date of construction to the date of commercial operation and twelve (12) months thereafter.

Insured party: party B, construction contractor, subcontractor, supplier, consultant (site risk only), Party A or other party selected by Party B (provided that the other party has or may obtain an insurable interest under this insurance).

b) Third party liability insurance

Scope of liability: Insurance for legal liability for personal injury or property loss of a third party arising from the implementation of the project and related to the performance of the construction contract (but excluding third party automobile insurance) within the territory of the people's Republic of China.

Insurance amount: the insurance limit for each accident is RMB 200,000, and the number of insured accidents is not limited;

Insurance period: from the date of construction to the date of commercial operation and twelve (12) months thereafter.

Insured party: party B, construction contractor, supplier and consultant (site risk only), Party A or other party selected by Party B (provided that the other party has or may obtain an insurable interest under this insurance).

c) Other types of insurance

Other insurance that is usual, reasonable or necessary to comply with the requirements of the lender and Chinese laws and regulations.

2 Insurance during operation

Party B shall take out insurance at its own expense on or before the start date of the trial operation and maintain the following types of insurance throughout the operation period. However, if such insurance cannot be obtained from the insurance company specified in Article 14.2 of this project contract, or if such insurance cannot be obtained under reasonable commercial conditions, Party B shall not be obliged to obtain such insurance, and Party A shall not take out such insurance for Party B. except as provided above, Party B shall not relieve or restrict Party B's obligations under this project contract.

a) Insurance for all properties

Scope of responsibility: all and usual insurable risks for all loss or damage of buildings, structures, factories, equipment, machinery, chemicals, and / or immovable property that form part of the project facilities and are located on the project site. (including but not limited to fire, lightning, explosion, spontaneous combustion, storm, rainstorm, typhoon, flood, flood, riot, strike, vandalism, impact, earthquake, settlement and collapse).

Insured amount: the total replacement value of the project facilities.

Insurance period: in years, can be extended.

Insured party: Party B, operation and maintenance contractor, Party A, Party A or other party selected by Party B (provided that the other party has or may acquire an insurable interest under this insurance).

b) Third party liability insurance

Scope of liability: Legal liability for personal injury or property loss or damage to a third party caused by the operation and maintenance of project facilities.

Insurance amount: the insurance limit for each accident is RMB 200,000, and there is no limit on the number of accidents.

Insurance period: in years, can be extended.

Insured party: Party B, operation and maintenance contractor, Party A, Party A or other party selected by Party B.

c) Other insurance types

Other insurance that is usual, reasonable or necessary to comply with the requirements of the lender or the laws and regulations of China.

3 Joint insurance and compensation.

Party A shall be the insured under all the insurance items properly indicated in this attachment. Party B shall urge the insurer to waive any and all rights of subrogation against Party A that it may own or acquire under all the insurance specified in this Annex 8.

4 Insurers and insurance documents

Party B shall maintain fully effective insurance at an insurer approved to conduct insurance business in the people's Republic of China with good reputation and with the consent of Party A, certifying that Party B has obtained the insurance policy in accordance with Party A's request, and provide Party A with a copy of this insurance policy and proof of premium paid. As soon as Party B receives the renewal certificate and insurance approval certificate, it shall be submitted to Party A in time.

5 Failure to obtain and maintain insurance

If Party B fails to obtain or refuse to obtain the above-mentioned general and customary insurance or fails to provide Party A with copies of the insurance policy, premium payment certificate, renewal certificate and insurance approval certificate mentioned in Section 4 above, then Party A shall have the right to take out such insurance at Party B's expense. In this case, at the request of Party A, Party B shall promptly pay Party A the amount it pays for the purchase of this kind of insurance. Party B's failure to obtain or refuse to obtain the above insurance shall not relieve or limit any of its obligations and liabilities under this contract.

6 Notice of claim and assistance

Party B and Party A shall abide by the terms and conditions of the insurance policy applicable to them, and shall follow the claims management procedures established with the insurer. The claims management procedure shall comply with the reasonable and commonly used terms of similar projects. In preparing the documents and negotiating the claim, each party agreed to provide reasonable assistance to the other. When any claim under any insurance policy in this Annex 8 may exceed RMB 200,000, Party B shall notify Party A and from time to time provide Party A with any information on the claim under the related insurance policy as it reasonably requires.

7 Repair and claim payment

The claims available to Party B under all risks, property risks and machine damage insurance shall be used to recover and repair the loss or damage of the insured property. The claim money obtained under the insurance of delayed completion or business interruption shall be applied to the repayment of the loan and Party B's prescribed regular expenses. Compensation for third party liability insurance shall be paid to the individual entitled to compensation. Without the written consent of Party A (Party A shall not unreasonably refuse to agree), Party B and the insurer shall not reach a compromise on any claim exceeding two hundred thousand (200,000) RMB.

Party A acknowledges that its delay in agreeing to the above compromise may cause delay or interruption of the project, and such delay or interruption may adversely affect delayed completion and business interruption insurance, and Party A undertakes to give any such consent as soon as possible.

8 Notify Party A

For all insurance insured under this Annex 8, Party B shall cause the insurer to notify Party A at least thirty (30) days before such cancellation, termination, expiration or termination and / or any significant change in the scope of liability or any reduction in the amount of insurance, or any reduction in the limit of liability.

Annex 9 Approval, Registration and Verification Required by Party B

Party B shall obtain all licenses, permits, approvals and registrations required by applicable law, mainly including but not limited to, the following items:

1. Approval required for the establishment and operation of Party B

1.1 Application for the establishment of Party B

After receiving the notice of winning the bid, the selected investor shall apply to the relevant departments for the establishment of Party B. If approved, an approval certificate will be issued.

1.2 Pre-registration of Party B's name

The name of Party B shall be registered in advance before the approval of the establishment of Party B. Upon receipt of confirmation as the selected investor.

After the notice, you can apply to the relevant departments for the pre-registration of Party B's name and get the enterprise name registration certificate.

1.3 Business registration and business license, tax registration certificate, organization code certificate

The winning bidder shall obtain the business license, tax registration certificate and organization code certificate from the administrative department where the project is located.

1.4 Financial registration

Party B shall apply for financial registration with the local financial authorities within 30 days after the issuance of the business license.

The above shall be completed by the winning bidder or Party B before the entry into force of this project contract.

2. On the approval and registration of project financing

If Party B takes the project charging right as the pledge, Party A shall be notified.

3. The procedures for the establishment of the project and the application and approval required during the construction period shall be completed by Party B in accordance with the provisions of the state, province and city, and the time shall be included in the construction period. Party A shall, within the scope of its duties, assist Party B to coordinate and complete the procedures of project establishment, construction and approval as soon as possible.

4. Approval required for the project to be put into commercial operation

4.1 Acceptance of environmental protection facilities

During the commissioning phase of the project, Party B shall promptly submit an application for the completion and acceptance of the environmental protection facilities of the project to Party A. Except for special circumstances, Party A shall organize acceptance within 15 working days of Party B's application.

4.2 Completion acceptance

Before the final completion of the project, Party B shall submit an application for completion acceptance to Party A and relevant departments. Except for special circumstances, Party A shall organize the completion acceptance within 15 working days of Party B's application, and Party A shall pass the acceptance.

4.3 Party B shall apply to the environmental protection department for a pollutant discharge permit and a certificate of qualification for the operation of environmental protection facilities.

5. Other licenses, permits, approvals, registrations and legal procedures for engineering construction that should be obtained under the applicable law, including, but not limited to, environmental assessment, soil and water conservation programmes, seismic safety assessment, construction, water conservancy, garbage and other related documents dealing with process changes.

Annex 10 Format of Performance Guarantee

Since:

(Name, organization and address)

Date:

To: Party A or its designated agency

Address:

Postal code:

In view of [Party B's name and address] ("Party B") has undertaken to invest, build, manage, operate, maintain and hand over the whole PPP project of domestic garbage and sewage treatment infrastructure in villages and towns in Wujiang District according to the project contract signed on the day of ():

In view of the agreement of both parties in the project contract, Party B shall submit to Party A or its designated institution a guarantee issued by an approved bank / financial institution for the first time on demand, with the amount stated in the guarantee letter to ensure Party B's performance of Party B's obligations relating to project design and construction under the project contract.

Since we have agreed to issue the above guarantee to Party A or its designated agency.

We hereby confirm that we are responsible to Party A as guarantor and on behalf of Party B. The total amount of guarantee is RMB3 million. We undertake that within [five (5) business days] after receiving the first written request from Party A or its designated agency, we will immediately pay any one or more of the above amounts to Party A or its designated agency.

We also agree that the terms of this guarantee constitute an unconditional and irrevocable direct liability of the Bank. Any changes or additions or any other modifications that may be made between Party A and Party B to the terms of the project contract or any other documents shall in no way relieve us of our liability under this guarantee, we hereby waive the requirement to inform such changes, supplements or modifications.

The performance guarantee of this project shall be valid for the whole period from the effective date of the project contract (such as the date defined in the project contract) to the termination in accordance with Article 12.1 (2) of the item contract. [This letter of guarantee is valid from the day of the year to the day of the year.

This letter of guarantee shall be subject to and construed in accordance with Chinese law.

All terms used in this guarantee have the meaning specified in the project contract (we confirm that we have received a copy of the project contract).

Seal of bank / financial institution:

Name of bank / financial institution:

Signature:

Name:

Title:

Date:

Annex 11 Format of Maintenance Guarantee

Since:

(Name, organization and address)

Date:

To: Party A or its designated agency

Address:

Postal code:

In view of [] [Party B's name and address] ("Party B") has promised to invest, manage, operate, maintain and hand over the PPP project according to the project contract signed from the date (YY-MM-DD) in Wujiang District, the whole area of domestic garbage and sewage treatment infrastructure in Wujiang District, and in view of the fact that both parties have agreed in the project contract. Party B shall submit to Party A or its designated institution a guarantee issued by an approved bank / financial institution for the first time on demand, with the amount stated in the guarantee letter, to ensure that Party B performs the guarantee obligations of the project operation, maintenance, transfer and guarantee period under the project contract.

Since we have agreed to issue the above guarantee to Party A or its designated agency.

We hereby confirm that the amount of the maintenance guarantee is RMB3 million.

We undertake that within five (5) business days after receiving the first written request from Party A or its designated agency, we will pay any one or more of the above amount to Party A or its designated agency without unconditional conditions, and Party A or its designated authority is not required to certify or state the reasons or reasons for the request for payment.

We hereby waive the requirement that Party A or its designated agency make a payment request to Party B before making a payment request to us.

We also agree that the terms of this guarantee constitute an unconditional and irrevocable direct liability of the Bank. Any change or supplement or any other modification that may be made between Party A and Party B to the terms of the project contract or any other documents shall in no way absolve us from our liability under this guarantee. We hereby waive the requirement to give notice of such changes, supplements or modifications.

The period of validity of the project maintenance guarantee shall cover the whole period from the date of termination of the performance guarantee to the expiration of 12 months after the date of transfer. This letter of guarantee is valid from the day (YY-MM-DD) to the date (YY-MM-DD). On the due date, the maintenance guarantee shall be discharged by Party A or its designated authority after all payments required by this guarantee before the due date have been paid.

If we fail to issue a replacement maintenance guarantee to Party A or its designated agency before the end of thirty (30) days prior to the expiration of this guarantee, or if Party B does not fully comply with its obligation to resume the maintenance guarantee, Party A or its designated authority shall have the right to require the Bank to pay the full amount remaining in this guarantee in accordance with this guarantee.

This letter of guarantee shall be subject to and construed in accordance with Chinese law.

All terms used in this guarantee have the meaning specified in the project contract (we confirm that a copy of the project contract has been received).

Seal of bank / financial institution

Name of bank / financial institution:

Signature:

Name:

Title:

Date:

Annex 12 Termination of Compensation

Item	Amount of compensation paid by Party A
1	$A+(B \times R1)/4+(C \times R2)/4$
2	$A+(B \times R1)+(C \times R2)+D+E$
3	$A+(B \times R1)/2+(C \times R2)/2+E/2$

In this Annex, the letters A, B, C, D and E are used to indicate that this contract shall be terminated as different components of the total amount of termination compensation paid by Party A (hereinafter referred to as the compensation factor) at the time of termination of this contract under the different circumstances mentioned in Article 20.5 of this contract. These letters represent the following amounts:

A = The balance of outstanding medium-and long-term loans payable to the lender in accordance with the debt repayment plan under the financing document, including all outstanding principal under the debt service plan plus accumulated interest (including interest applicable to the default period), as well as fines, charges, costs and fees payable to the lender at the date of termination of this contract.

B = The amount of equity investment invested by Party B's shareholders at the completed project facilities.

C = Any increase in share capital invested by Party B's shareholders for the remedy of force majeure events, plus any other capital increase approved by Party A.

D = 50% of the present value of the "net expected profit" during the remaining period of the project cooperation period of this contract, and the discount rate shall be the medium-and long-term loan benchmark interest rate of the Bank of China in the year of termination plus one percentage point (that is, plus 1%). "net expected profit" refers to the annual average value of the actual net profit of Party B in the previous 5 years terminated in accordance with Article 20.2 of this contract during the project cooperation period. If the average value is lower than the annual profit amount calculated by the product of the actual invested equity investment and the set profit margin, or if there are no 5 financial years before the termination, the annual profit amount calculated by the product of Party B's actual invested equity investment and the set profit margin shall prevail.

The above set profit margin is the Bank of China's medium-and long-term lending benchmark interest rate in the year of termination plus two percentage points (2%).

E = The actual expenses incurred by Party B as a result of the termination on the date of termination.

R1 = The ratio of the remaining term of the project cooperation period (numerator) at the time of termination to the remaining period of the project cooperation period (denominator) when the equity investment is completed.

R2=The ratio of the remaining period of the project cooperation period (numerator) at the time of termination to the remaining period of the project cooperation period (denominator) after the completion of the equity increase.

The calculation of each compensation factor shall be audited by a qualified accounting firm jointly accepted by Party A, Party B and the lender (if involved), and the fees incurred in such audits shall be borne by Party A, Party B and the lender (if involved) equally. If there is a dispute, the dispute settlement Article of this contract shall apply (Article 22).

When this contract is terminated during the construction of the project facilities, the compensation for the investment in the facilities under construction shall also be calculated according to the formula in the above table. The completed amount of investment in construction shall be determined by special audit procedures in accordance with the relevant provisions of the state, and A shall be equal to the completed amount of investment in construction, in which the ratio of A to the completed investment of facilities under construction shall not be higher than the proportion of bank loans in this stage of investment as stipulated in this contract.

Annex 13 Sewage Treatment and Safe Disposal

[provided by social capital party, separate volume]

In accordance with the requirements of the bidding documents of this project, the scheme of sewage treatment and safe disposal is expounded in the submitted bidding documents, and the sewage treatment and safe disposal shall be further supplemented in writing according to the requirements of Party A. The sewage treatment and safe disposal plans contained in the tender documents, as well as all clarifications and supplementary documents relating to sewage treatment and safe disposal schemes, and subject to the examination and approval of Party A, will be published separately as Annex 13 to this contract, which has the same legal effect as this contract.

Among them, if the contents of the sewage treatment and safety disposal plans and supplementary documents stated in the bidding documents conflict with this contract, this contract shall prevail; if there is any conflict between the sewage treatment and safety disposal schemes and the supplementary documents stated in the bidding documents, the supplementary documents shall prevail; if there is a conflict between the supplementary documents at the front and the supplementary documents at the bottom of the arrangement, the latter shall prevail.

Annex 14 Project finance and financing programme

[provided by social capital party, separate volume]

The financing and financial plans are described in the bidding documents submitted in accordance with the requirements of the bidding documents of the project, and shall be further supplemented in writing according to the requirements of Party A. The financing and financial plans contained in the tender documents, as well as all clarifications and supplementary documents relating to financing and financial plans, and subject to the examination and approval of Party A, will be published separately as Annex 14 to this contract, which has the same legal effect as this contract.

Among them, if the contents of the financing and financial plans and supplementary documents stated in the bid documents conflict with this contract, this contract shall prevail; If there is any conflict between the financing and financial plans set forth in the tender documents and the contents of the supplementary documents, the supplementary documents shall prevail; If there is a conflict between the supplementary documents at the front and the supplementary documents at the bottom of the arrangement, the latter shall prevail.

Annex 15 Format of Financial Statements of Party B

Party B shall handle its business and affairs seriously and effectively in accordance with applicable laws and reasonable international financial and commercial standards and practices, and shall prepare and submit to Party A the following financial statements that fully reflect all aspects of its operation:

- (1) Audited annual financial statements prepared in accordance with the Accounting Law of the people's Republic of China and other applicable laws of the State, including balance sheets, income statements and cash flow statements, and audited by qualified independent auditors.
- (2) The quarterly statement of Party B's cash income and expenditure; and.
- (3) Such other information about the financial situation of Party B which Party A may reasonably require from time to time to supervise Party B's compliance with applicable laws and this contract.

Annex 16 Punishment Measures for Breach of Contract

I. If the effluent quality is not up to standard according to Article 9.7.2 of this project contract:

Party A will collect liquidated damages within its range of 15-25% according to the amount of fine collected by the environmental protection department, and the amount of body proportion will be selected by Party A according to the actual situation of exceeding the standard, and Party B shall have no objection.

II. Punishment measures that have not been dealt with in time.

- a) Except for force majeure and breach of contract of the domestic garbage supplier, Party B cannot normally receive domestic garbage due to any reason (such as financial problems, management problems, poor maintenance of all facilities and equipment at the comprehensive reduction collection station, etc.), Party B must receive domestic garbage in the temporary dumping area within 2 hours and be responsible for clearing and transporting all the domestic garbage temporarily piled up within 48 hours. If Party B fails to clear all the domestic garbage temporarily stacked within 150 hours, the monthly settlement shall be exempted from the temporary garbage disposal charge and the same amount of disposal charge shall be deducted as liquidated damages, in addition, it shall also be punished by the environmental protection department in accordance with the relevant regulations.
- b) Except for force majeure and breach of contract by the construction waste supplier, Party B cannot normally receive construction wastes due to any reason (such as financial problems, management problems, poor maintenance at all facilities and equipment in the construction waste receiving site, blocked roads, dams and slopes that cannot guarantee stability and safety under any weather conditions, etc.), Party B shall receive construction waste in the temporary dumping area of construction waste within 24 hours (from the time when the first car is refused to enter the site) and be responsible for the removal of all construction waste temporarily piled up within 48 hours. If Party B fails to clear all the construction waste temporarily stacked within 150 hours, the temporary construction waste disposal charge must be exempted and the same amount of disposal charge shall be deducted as liquidated damages at the time of settlement in the current month, in addition, it shall also be punished by the environmental protection department in accordance with the relevant regulations.
- c) Except for force majeure and breach of contract by the supplier of domestic garbage and construction waste, Party B shall be deemed to have breached the contract if it fails to receive domestic garbage and construction waste for more than 96 hours due to Party B's failure (counting from the reporting time when the first car is refused entry). Party A shall have the right to require Party B to bear all the expenses incurred by the comprehensive reduction collection station and construction waste receiving site during the period when the domestic garbage and construction waste cannot be received normally.

III. Punishment measures for insufficient actual reception

1. In accordance with Article 1.8 (1) of Chapter 1 of Annex 20 to this contract, the liquidated damages shall be paid if the actual amount received is insufficient:

Breach of contract penalty for insufficient actual reception = disposal charge for insufficient garbage capacity.

2. In accordance with Article 1.8 (2) of Chapter 1 of Annex 20 to this contract, the liquidated damages shall be paid if the actual amount received is insufficient:

Breach of contract penalty for insufficient actual reception = disposal charge for insufficient garbage volume x2 (times).

IV. Punishment measures for substandard cleaning at the center of towns

According to the amount of fine collected by the environmental protection department, Party A will collect liquidated damages within the range of 15% to 25%.

The quota will be selected by Party A according to the actual cleaning situation, and Party B shall have no objection.

V. Punishment measures for substandard cleaning at villages

Same as the item 4.

VI. Punishment measures for substandard treatment quality of domestic garbage comprehensive reduction collection station

Same as the item 4.

Annex 17 Performance Appraisal Methods and Standards

I. Methods and standards for performance evaluation of sub-projects of township sewage treatment facilities.

Assessment Score Table of Sewage Treatment at Villages and Towns

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Urban sewage treatment facilities (40 points)	On-the-spot inspection and survey	Formulate operation procedures, define the scope and procedures of process parameters and process adjustment, as well as accident emergency and emergency handling for each each process section	6	There is no score for this item without established operating rules; Deduct 1 point at a time when the procedures are not standard and incomplete, and the total score is 6 points.	
		There are daily supervisory testing data and third-party monitoring reports of environmental protection departments at all levels, including, but not limited to, (COD, ammonia nitrogen, PH, BOD, SS, total phosphorus, total nitrogen, fecal coliform bacteria).	6	Deduct 1 point at a time when there is no daily supervisory testing data or third-party monitoring reports from environmental protection departments at all levels. Deduct 2 points at a time when the monitoring data exceed the standard. The total score is 6 points.	

		The outlet flow and the concentration of COD, ammonia nitrogen and PH automatically monitored online in the plant should be connected with the local environmental protection department and checked by the validity of the data	6	Deduct 1 point at a time when the outlet flow and COD, ammonia nitrogen and PH concentration data of automatic online monitoring at the plant are not connected with the local environmental protection department, and deduct 1 point at a time when the phenomenon of exceeding the standard has been verified. The total score is 6 points.	
		The appearance of the buildings and structures in the factory area is intact and there are no pollutants; The operation of all the equipment is normal and there are no accidents	6	Deduct 0.5-4 point at a time when it does not meet the requirements. The total score is 6.	
		Full-time process operation managers and equipment managers are staffed and managers and professional and technical personnel have corresponding training certificates or technical titles	6	Deduct 0.5-1 point at a time when it does not meet the standard. The total score will be 6 points	

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
		Not less than 80% of the sewage in the service area of the sewage treatment facility is collected and treated	5	No point is deducted when the cumulative load rate of facilities in half a year is more than 80%. When the cumulative load rate of facilities in half a year is less than 80%, the score is $5X$ (half-year cumulative load / 80%), in which the cumulative load rate of facilities in half a year = the actual sewage treatment capacity in half a year / the designed sewage treatment capacity in half a year.	
		Daily work log, production record, inspection record and report, daily monitoring data related to sewage detection and treatment, operation data, operation account information of all kinds of equipment and facilities, etc., keep good and meet the requirements of relevant specifications	5	Deduct 0.5-1 point for each missing item with a total score of 5	
Separate maintenance of pipe network facilities (30 points)	On-the-spot inspection and survey	Regular cleaning and dredging of pipes and canals are carried out and recorded for filing, and the cleaning and dredging frequency is increased in the non-rainy season, so as to avoid waterlogging on the road caused by the blockage of sewage pipes.	5	Deduct 1 point at a time when more spills or dirt are found in the daily assessment. The total score will be 5 points	
		The deposits is cleaned up to keep the pipes and ditches flowing smoothly	5	Deduct 1 point at a time when the phenomenon of blocking the sewage flooding road occurs. The total score is 5 points	

		Effective and perfect sewage collection is carried out to ensure the effect of sewage collection	5	Deduct 1 point at a time when the collection is not effective and perfect. The total score will be 5 points	
		Annual operation plan and monthly operation plan is formulated for dredging	5	Deduct 1 point at a time when there is no homework plan. The total score will be 5 points	
		The account and report of the dredging operation is drawn up and implemented in the operation	5	Deduct 1 point at a time when there is no ledger or statement and deduct 1 point at a time when the operation is not implemented. The total score will be 5 points	
		The responsibility system of safety production in underground operation is established and implemented in the operation	5	Deduct 1 point for no production safety responsibility system and deduct 2 points at a time when it is not well implemented. The total score 5 points	

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Safety in production. (15 points)	On-the-spot inspection (sampling) and survey	Employees are regularly educated on production safety and the responsibility system and relevant safety measures are implemented.	3	Deduct 1 point at a time when it is not implemented in accordance with the requirements. The total score will be 3 points.	
		Safety facilities and safety standards should be complete.	3	Deduct 1 point at a time when it is not complete and unreasonable. The total score will be 3 points.	
		Facilities, equipment, pressure pipes, etc., should be qualified for inspection.	4	Deduct 2 points at a time when there is no qualified mark. The total score will be 4 points.	
		If a production safety accident occurs, it shall be reported within 24 hours; there are emergency plans and environmental protection requirements shall be passed.	5	Deduct 5 points at a time when a safety accident is not reported within the specified time with a total score of 5 points.	
Public supervision and management. (15 points)	On-the-spot inspection and survey	There is no scientific and correct exposure of the news media.	3	Deduct 1 point for each time. The total score is 3 points.	
		There is no problem of naming, criticizing or supervising by the main leaders of the district.	6	Deduct 2 points for each time with a total score of 6 points.	
		The complaints forwarded by the relevant government departments must be settled within the prescribed time limit	6	Deduct 2 points at a time when you fail to finish on time. The total score will be 6 points.	

Description: 1. For the above evaluation content, irregular inspection (accounting for 40%) and regular inspection (accounting for 60%) of the Housing and Construction Bureau shall be combined, evidences of deduction content (such as pictures) signed by the authorized person of Party B shall be provided in each inspection to confirm the score of the current inspection, and the weighted average calculated by the proportion of irregular and regular reviews is divided into the actual monthly score.

2. The total score is 100 points, and points will be deducted according to the above table if it does not meet the requirements.

II. Methods and Standards for Performance Evaluation of Sub-Projects of Rural Sewage Treatment Facilities

Assessment Score Table of Rural Sewage Treatment

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Rural sewage treatment facilities (40 points)	On-the-spot inspection and survey	The weeds, pests and plant residues in the constructed wetland are cleaned every summer and winter to harvest and change the stubble of the plants in the constructed wetland. Wetland plants need to maintain appropriate coverage and pay attention to plant harvesting or replanting when necessary. Harvested plants should be properly disposed of to prevent secondary pollution.	7	Deduct 0.5 points for obvious brick stones and mound soil in constructed wetlands, deduct 0.5 points for weeds on constructed wetlands, deduct 1 point for obvious symptoms of diseases and insect pests, deduct 0.5 points for regular plant harvesting and stubble change in artificial wet land, and deduct 1 point for harvested wetland plants without proper disposal with a total score of 7 points.	
		The anaerobic tank is desilted once a year to prevent sewage deposition and replace the anaerobic tank packing every 5 years.	7	Deduct 1 point for each place when there is no regular cleaning of the catchment well and deduct 2 points for the phenomenon of blocking the pump burning pump; The total score is 7 points.	
		There are daily supervisory testing data and third-party monitoring reports of environmental protection departments at all levels, including (COD, ammonia nitrogen, PH, BOD, SS, total phosphorus).	7	Deduct 1 point at a time when there is no daily supervisory testing data or third-party monitoring reports from environmental protection departments at all levels and deduct 2 points at a time when the monitoring data exceed the standard. The total score will be 7 points.	
		Daily work log, production record, inspection record and report, daily monitoring data related to sewage detection and treatment, operation data, operation account information of all kinds of equipment and facilities, etc., keep good and meet the requirements of relevant specifications.	7	Deduct 0.5-1 point for each missing item with a total score of 7 points.	
		The appearance of the buildings and structures in the station is good, and there are no pollutants; the equipment is in normal operation and there are no accidents.	6	Deduct 0.5-4 point at a time when it does not meet the requirements with a total score of 6 points.	

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
		Equipped with full-time process operation managers and maintenance personnel with corresponding training certificates or technical titles.	6	Deduct 0.5-1 point at a time when it does not meet the standard with a total score of 6.	
Separate maintenance of pipe network facilities (30 points)	On-the-spot inspection and survey	Regular cleaning and dredging of pipes and canals are carried out and recorded for filing, and the cleaning and dredging frequency is increased in the non-rainy season, so as to avoid waterlogging on the road caused by the blockage of sewage pipes.	5	Deduct 1 point at a time when more spills or dirt are found in the daily assessment with the total score of 5 points.	
		Clean up the deposits to keep the pipes and ditches flowing smoothly.	5	Deduct 1 point at a time when the phenomenon of blocking the sewage flooding road occurs with the total score of 5 points.	
		Effective and perfect sewage collection to ensure the effect of sewage collection.	5	Deduct 1 point at a time when the collection is not effective and perfect with the total score of 5 points.	
		Formulate annual operation plan and monthly operation plan for dredging.	5	Deduct 1 point at a time when there is no homework plan with the total score of 5 points.	
		Draw up the account and report of the dredging operation and implement it in the operation.	5	Deduct 1 point at a time when there is no ledger or statement and Deduct 1 point at a time when the operation is not implemented. The total score will be 5 points.	

		Establish the responsibility system of safety production in underground operation and implement it in the operation.	5	Deduct 1 point for no production safety responsibility system and deduct 2 points at a time when it is not well implemented. The total score is 5 points.	
Safety in production. (15 points)	On-the-spot inspection and survey	Regularly educate employees on production safety, implement the responsibility system and relevant safety measures.	3	Deduct 1 point at a time when it is not implemented in accordance with the requirements. The total score is 3 points.	
		Safety facilities and safety standards should be complete.	3	Deduct 1 point at a time when it is not complete and unreasonable. The total score is 3 points.	
		Facilities, equipment, pressure pipes, etc., should be qualified for inspection.	4	Deduct 2 points at a time when there is no qualified mark. The total score is 4 points.	
		If a production safety accident occurs, it shall be reported within 24 hours; there are emergency plans and environmental protection requirements shall be passed.	5	Deduct 5 points at a time when a safety accident is not reported within the specified time with a total score of 5 points.	

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Public supervision and management. (15 points)	On-the-spot inspection and survey. Check	There is no scientific and correct exposure of the news media.	3	Deduct 1 point for each time. The total score is 3 points.	
		There is no problem of naming, criticizing or supervising by the main leaders of the district.	6	Deduct 2 points for each time with a total of 6 points	
		The complaints forwarded by the relevant government departments must be settled within the prescribed time limit.	6	Deduct 2 point at a time when you fail to finish on time. The total score is 6 points.	

Note: 1. For the above evaluation content, irregular inspection (accounting for 40%) and regular inspection (60%) of the Housing and Construction Bureau shall be combined, the evidence of deduction content (such as pictures) signed by the authorized person of Party B shall be provided in each inspection to confirm the score of the current inspection, and the weighted average calculated by the proportion of irregular and regular inspection is divided into the actual score of each month.

2. The total score is 100 points, and points will be deducted according to the above table if it does not meet the requirements.

III. Methods and Standards for Performance Evaluation of Domestic Garbage Removal Sub-projects

Assessment Score Table of Domestic Garbage Removal Sub-Project

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Garbage transfer (30 points)	On-site inspection (sampling)	The collection and transportation vehicle has complete formalities, good condition, clean appearance and complete marks.	6	Deduct 0.5 point at a time when the procedures for collecting and transporting vehicles are incomplete, the condition of the vehicles is not good, the appearance is not clean, and the marks are incomplete or none	
		Good sealing (covering) in the process of collection and transportation, without garbage scattering and sewage leakage.	6	Deduct 0.5 point at a time when seal or cover contaminated roads are not sealed or covered or some objects are suspended outside the carriage	
		Timely collection and transfer of domestic garbage in accordance with the time limit.	8	Deduct 1 point at a time when it fails to collect and transfer domestic garbage in time as required	
		Strictly abide by the service time, all kinds of supporting items are complete.	4	Deduct 0.5 point at a time when no one is on duty during the service hours and there is a lack of cleaning supplies	
		The facilities and equipment at the collection point and transfer station are hygienic and tidy, no damage, no sewage cross-flow, no obvious smell.	6	Deduct 1 point at a time when the sanitation in the collection point and transfer station is unclean, damaged, seeped, overflowed and has obvious smell	

Cleaning at villages and towns (20 points)	On-site inspection (sampling)	Finish the road sweeping and cleaning work on time.	6	Deduct 0.2 point at a time for each 1000 m ² when the road of sweeping and cleaning has not been completed within the specified time (If it less than 1000 square meters , it shall be counted as 1000 square meters, and the area on different road sections shall not be counted).	
		The road is "six without six clean": no waste deposits, no peel, no paper scraps and leaves, no brick sand, no sprinkles, no sewage, no human and animal faeces; clean road surface, clean ditch, clean tree hole, clean manhole cover, clean side stone, clean wall root.	6	Deduct 0.5 point at a time when "six no and six cleaning" standard is not reached	
		Cleaning garbage should be collected in a closed manner and uniformly collected and transported to designated places, and shall not be dumped into green belts, pits, rivers, etc., and shall not be burned anywhere.	4	Deduct 0.5 point at a time when garbages are cleaned into green space, Rain water mouth, ditches, etc., or garbages burnt	
		Regularly collect rubbish in garbage collection containers such as fruit bins, garbage cans, trolleys, etc.	4	Deduct 0.2 point for overnight storage in garbage collection containers such as fruit bins, garbage cans, trolleys, etc.	
Village cleaning (30 points)	On-site inspection (sampling)	Finish cleaning the roads in the village as required, once a day.	15	Deduct 0.5 point at a time when the cleaning is not carried out as required	
		Cleaning should achieve "five no five clean": clean road, clean sidewalk, clean wall root, clean greening, clean drainage ditch; no garbage, no dung, no masonry, no weeds, no sewage and dirty water.	10	Deduct 0.5 point at a time when the "five no and five cleaning" standard is not reached	
		Cleaning garbage should be collected in a closed manner and uniformly collected and transported to the designated place, and shall not be dumped into green belts, trenches, rivers, etc., or incinerated garbage.	5	Deduct 0.5 point at a time when garbages are cleaned into green space, rain water mouth, ditches, etc., or garbages are burnt	

Safety in production (15 points)	On-the-spot inspection and survey	Conduct regular safety and birth education for employees, implement the responsibility system and implement relevant safety measures.	4	Deduct 1 point at a time when it is not implemented as required	
		Road operators should wear work clothes with reflective signs, and all employees should wear work clothes.	4	Deduct 1 point at a time when you fail to wear overalls to do your homework as required	
		The storage of flammable, explosive, highly toxic and other dangerous goods is strictly prohibited.	2	Deduct 2 points at a time when you store flammable, explosive, highly toxic and other dangerous goods	
		If a production safety accident occurs, it shall be reported within 24 hours.	5	Deduct 5 points at a time when a safety accident is not reported within the specified time	
Public supervision and management. (15 points)	On-the-spot inspection (sampling) and survey	There is no scientific and correct exposure of the news	3	Deduct 1 point for each time	
		Important activities and temporary surprise missions held by the government or inspection by leaders should ensure that there is no dirty mess.	4	Deduct 2 points for each time	
		There is no problem of naming, criticizing or supervising by the main leaders of the district.	4	Deduct 2 points for each time	
		The complaint cases forwarded by the relevant government departments must be dealt with within the prescribed time limit.	4	Deduct 2 points at a time when you fail to finish on time	

Description: 1. For the above evaluation content, irregular inspection (accounting for 40%) and regular inspection (60%) of the Housing and Construction Bureau shall be combined, evidence of deduction content (such as pictures) signed by the authorized person of Party B shall be provided in each inspection to confirm the score of the current inspection, and the weighted average calculated by the proportion of irregular and regular inspection is divided into the actual score of each month.

2. The total score is 100 points, and points will be deducted according to the above table if it does not meet the requirements.

IV. Methods and Standards for Sub-Projects of Comprehensive Reduction of Domestic Garbage Collection and Transportation Stations

Assessment Score Table of Domestic Garbage Comprehensive Reduction Collection Station

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
Operation and management. (55 points)	On-the-spot inspection and survey	The weighing system must be kept running every day (except for normal maintenance).	5	Deduct 1 point at a time when it cannot be used properly	
		Garbage inspection measures and can effectively control the entry of hazardous waste and other garbage.	5	Deduct 1 point at a time when an illegal material is found to enter the site	
		There are weighing and measuring facilities, complete statistical records, and regularly submit the data for verification in accordance with the regulations.	10	Deduct 1 point at a time when the record is incomplete or the data is not submitted on time	
		All the flue gas emission indicators meet the limits.	10	Deduct 2 points at a time when the emission target exceeds the standard.	
		The concentrations of ammonia, hydrogen sulfide, methyl mercaptan and odor meet the emission limits set by the standard.	5	Deduct 1 point at a time when the emission target exceeds the standard	
		The mechanical equipment is fully equipped according to the requirements of the standard and runs well.	10	Deduct 2 points at a time when the equipment is not working properly	
		There are eliminate virus measures (mosquitoes, flies, rats, etc.), the effect is good, and the pharmaceutical bills and accounts are complete.	10	Deduct 2 points at a time when it is not implemented in accordance with the regulations	
Standardized management (15)	On-the-spot inspection and survey	Timely, accurate and complete reporting of various statements, reports and information as required by the time limit.	3	Deduct 1 point at a time when the report is not timely and deduct 0.5 point at a time when you fail to report	
		The operation and management organization is well established, the management method is standardized, and the post responsibility is sound.	4	Deduct 1 point at a time when it is not standard and incomplete	
		The classification and safekeeping of archives and the collection and perfection of materials should be standardized.	3	Deduct 1 point at a time when it is not standard and incomplete	
		The intact rate of facilities and equipment should reach 95%.	5	Deduct 0.5 point for every 1% decrease of the intact rate	
Safety in production (20 points)	On-the-spot inspection and survey	Regularly educate employees on production safety, implement the responsibility system and implement relevant safety measures.	4	Deduct 1 point at a time when it is not implemented as required	
		Operators should wear work clothes with reflective signs, and all employees should wear work clothes.	4	Deduct 1 point at a time when you fail to wear overalls to do your operations as required	

Check items	Check method	Contents of management standard	Score	Scoring standard	Scoring results
		The storage of flammable, explosive, highly toxic and other dangerous goods is strictly prohibited.	3	Deduct 3 points at a time when storing flammable, explosive, highly toxic and other dangerous goods.	
		The safety facilities are well equipped and the system is sound.	4	Deduct 2 points at a time when the safety facilities are not fully equipped and the safety system is not sound.	
		If a production safety accident occurs, it shall be reported within 24 hours.	5	Deduct 5 points at a time when a safety accident is not reported within the specified time	
Public supervision and management (10 points)	On-the-spot inspection and survey	There is no scientific and correct exposure of the news media.	2	Deduct 2 points for each time	
		There is no problem of naming, criticizing or supervising by the main leaders of the district.	4	Deduct 2 points for each time	
		The complaints forwarded by the relevant government departments must be disposed of within the prescribed time limit	4	Deduct 2 points at a time when you fail to finish on time	

Description: 1. For the above evaluation content, irregular inspection (40%) and regular inspection (60%) of the Housing and Construction Bureau shall be combined, evidence of deduction content (such as pictures) signed by the authorized person of Party B shall be provided in each inspection to confirm the score of the current inspection, and the weighted average calculated by the proportion of irregular and regular reviews is divided into the actual score of each month.

2. The total score is 100 points, and points will be deducted according to the above table if it does not meet the requirements.

Annex 18 Project Service Charges, Price Adjustment Formulas and Procedures

1、The annual service charge and operation and maintenance unit price of the project

SN	Item	Usability payment (10,000 yuan / year)	Operation and maintenance unit price	Quantity	Operation and maintenance expenses (10,000 yuan / year)	Subtotal (ten thousand yuan / year)
1	Sewage treatment service charge at villages and towns		Yuan / m ³	4300 m ³ /d		
2	Rural sewage treatment service charge		Yuan / m ³	4360m ³ /d		
3	Domestic garbage removal service charge		Yuan / m ² year (unit price of operation and maintenance for urban cleaning)	149,000 m ²		
			Yuan / m ² year (unit price of operation and maintenance for urban cleaning).			
			Yuan / Village year (unit price of operation and maintenance for rural cleaning)			
			Yuan/ton Unit price of domestic garbage transfer, operation and maintenance	37t/d		
4	Domestic garbage disposal service charge		Yuan/ton	9t/d		
Total			/			

Remarks: Party A shall pay the project service charge to Party B before the 20th day of the next month.

2. Sewage treatment service charge at villages and towns

Sewage treatment service charges in villages and towns are settled on a monthly basis:

- (1) Township sewage treatment service charge = availability payment X operation and maintenance performance evaluation coefficient + township sewage treatment operation and maintenance charge.
- (2) Township sewage treatment operation and maintenance charge = unit price of township sewage treatment operation and maintenance X actual township sewage supply X operation and maintenance performance evaluation coefficient.
- (3) During the first 72 + 24 hours of the trial operation period, the operation and maintenance fees for sewage treatment in villages and towns shall be paid in accordance with 70% of the provisions of Article (2) above. After 72+24 hours, the charge shall be charged in full as stipulated in Article (2) above. After the start of the trial operation, the sewage treatment availability charge shall be charged according to the full amount specified in Article (1) above.
- (4) The index is assessed once every quarter and will not be assessed in the first quarter of the start of operation (payment), and the assessment results in the first quarter will be used as the assessment index for the next quarter. The specific assessment criteria can be found in Annex 17-sewage treatment assessment score table.
According to the evaluation score, the value of the performance evaluation coefficient of operation and maintenance is shown in the table below.

Performance appraisal score (W)	Performance appraisal coefficient
More than 90 points (inclusive).	100%
More than 80 (inclusive) less than 90.	$[100 - (90 - W) \times 0.5] \%$
More than 70 (inclusive) less than 80.	$[95 - (80 - W) \times 1.0] \%$
More than 60 (inclusive) less than 70.	$[85 - (70 - W) \times 0.3] \%$
Less than 60 points	70%

3. Rural sewage treatment service charge.

Rural sewage treatment service charges are settled on a monthly basis:

- (1) Rural sewage treatment service charge = availability payment X operation and maintenance performance evaluation coefficient + rural sewage treatment operation and maintenance charge.

- (2) Rural sewage treatment operation and maintenance charge = unit price of rural sewage treatment operation and maintenance X rural sewage design scale X operation and maintenance performance evaluation coefficient.
- (3) During the first 72 + 24 hours of the trial operation period, the rural sewage treatment operation and maintenance charge shall be paid in accordance with 70% of the provisions of the Article (2) above. After 72+24 hours, the charge shall be charged in full as stipulated in Article (2) above. After the start of the trial operation, the sewage treatment availability charge shall be charged according to the full amount specified in Article (1) above.
- (4) This index is assessed once every quarter and will not be assessed in the first quarter of the start of operation (payment), and the assessment results in the first quarter will be used as the assessment index for the next quarter. The specific assessment criteria can be found in Annex 17-sewage treatment examination score table. According to the evaluation score, the value of the performance evaluation coefficient of operation and maintenance is shown in the table below.

Performance appraisal score (W)	Performance appraisal coefficient
More than 90 points (inclusive).	100%
More than 80 (inclusive) less than 90.	$[100 - (90 - W) \times 0.5]\%$
More than 70 (inclusive) less than 80.	$[95 - (80 - W) \times 1.0]\%$
More than 60 (inclusive) less than 70.	$[85 - (70 - W) \times 0.3]\%$
Less than 60 points	70%

4. Station garbage disposal service charge of domestic garbage comprehensive reduction collection

Garbage disposal service charge of domestic garbage comprehensive reduction collection station is settled on a monthly basis:

- (1) Garbage disposal service charge of domestic garbage comprehensive reduction collection station = garbage disposal availability payment of domestic garbage comprehensive reduction collection station X operation and maintenance performance evaluation coefficient + garbage treatment operation and maintenance charge of domestic garbage comprehensive reduction collection station.
- (2) Garbage disposal operation and maintenance charge of domestic garbage comprehensive reduction collection station = garbage disposal operation and maintenance unit price of domestic garbage comprehensive reduction collection station X month actual garbage supply X operation and maintenance performance evaluation coefficient.

(3) During the first 72+24 hours of the trial operation period, the garbage disposal operation and maintenance charge of the domestic garbage comprehensive reduction collection station shall be paid in accordance with 70% of the provisions of Article (2) above. After 72 hours, the charge shall be calculated according to (2) above. After the start of the trial operation, the domestic garbage comprehensive reduction collection station garbage disposal availability charge shall be charged according to the full amount specified in Article (1) above.

(4) It is assessed once every quarter, and the index is not assessed in the first quarter when it starts operation (payment), and the examination result in the first quarter is used as the assessment index for the next quarter. The specific assessment criteria can be found in Annex 17-the assessment score table of the integrated reduction collection station of domestic garbage. According to the evaluation score, the value of the performance evaluation coefficient of operation and maintenance is shown in the table below.

Performance appraisal score (W)	Performance appraisal coefficient
More than 90 points (inclusive).	100%
More than 80 (inclusive) less than 90.	$[100 - (90 - W) \times 0.5] \%$
More than 70 (inclusive) less than 80.	$[95 - (80 - W) \times 1.0] \%$
More than 60 (inclusive) less than 70.	$[85 - (70 - W) \times 0.3] \%$
Less than 60 points	70%

5. Domestic garbage removal service charge.

Domestic garbage removal service charge is settled on a monthly basis:

(1) Domestic garbage removal service charge = domestic garbage removal availability payment X operation and maintenance performance evaluation coefficient + domestic garbage removal operation and maintenance charge.

(2) Domestic garbage cleaning operation and maintenance charge = (unit price of township cleaning operation and maintenance X township cleaning maintenance area + unit price of rural cleaning operation and maintenance X number of cleaning natural villages + unit price of garbage transfer operation and maintenance X month garbage actual supply) X operation and maintenance performance evaluation coefficient;

(3) During the first 72 + 24 hours of the trial operation period, the operation and maintenance charge for domestic garbage removal shall be paid in accordance with 70% of the provisions of Article (2) above. After 72 hours, the charge shall be calculated according to (2) above. After the start of the trial operation, the payment for the availability of domestic garbage removal shall be charged in accordance with the full amount specified in the Article (1) above.

(4) It is assessed once every quarter, and the index is not assessed in the first quarter when it starts operation (payment), and the examination result in the first quarter is used as the assessment index for the next quarter. The specific assessment criteria can be found in Annex 17-- the assessment score table of the sub-project of domestic garbage cleaning and transportation. The value of the performance evaluation coefficient of operation and maintenance is taken according to the assessment score and the corresponding relationship is shown in the table below.

Performance appraisal score (W)	Performance appraisal coefficient
More than 90 points (inclusive).	100%
More than 80 (inclusive) less than 90.	$[100 - (90 - W) \times 0.5] \%$
More than 70 (inclusive) less than 80.	$[95 - (80 - W) \times 1.0] \%$
More than 60 (inclusive) less than 70.	$[85 - (70 - W) \times 0.3] \%$
Less than 60 points	70%

8. Price adjustment procedures and formulas

As the cooperation period of the project is as long as 30 years, the factors related to Party B's operating costs may change greatly during this period. In the project practice, it is necessary to agree on the adjustment period (usually 2 years) and objective adjustment factors (generally electricity price, drug price, labor cost, CPI index, etc.), and adjust according to the price adjustment formula set. The availability payment part is not included in the price adjustment scope of the contract; During the franchise period, the unit price of township sewage treatment operation and maintenance, rural sewage treatment operation and maintenance, urban cleaning operation and maintenance, rural cleaning operation and maintenance, domestic garbage transfer operation and maintenance, and domestic garbage treatment operation and maintenance can be adjusted.

The unit price of township sewage treatment operation and maintenance, rural sewage treatment operation and maintenance, urban cleaning operation and maintenance, rural cleaning operation and maintenance, domestic garbage transfer operation and maintenance and domestic garbage treatment operation and maintenance are adjusted as follows: according to the price adjustment formula, it will be adjusted every 2 years from the commercial operation date, and the first price adjustment will be implemented from the second operating year after the commercial operation camp. Party B shall submit a written application for price adjustment to the relevant government departments according to the price adjustment formula, and the relevant government departments shall organize relevant functional departments and experts to examine and verify the price adjustment within a reasonable time (50 working days or 3 months). After the examination and approval, the financial approval of the district shall be submitted for implementation, and the charge shall be calculated in accordance with the approved price adjustment from the date of Party B's application or the date of the occurrence of price adjustment factors.

1) Price adjustment formula

The actual unit price P_n of township sewage treatment operation and maintenance, rural sewage treatment operation and maintenance unit price, urban cleaning operation and maintenance unit price, rural cleaning operation and maintenance unit price, domestic garbage transfer operation and maintenance unit price and domestic garbage treatment operation and maintenance unit price at any time is the unit price of township sewage treatment operation and maintenance at that time, rural sewage management and maintenance unit price, The unit price of urban cleaning operation and maintenance, the unit price of rural cleaning operation and maintenance, the unit price of domestic garbage transfer operation and maintenance and the unit price of domestic garbage treatment operation and maintenance shall be multiplied by the price adjustment factor calculated according to the following formula. That is:

$$P_n = P_{n-2} \times k$$

Where:

P_n : Adjusted unit price of township sewage treatment operation and maintenance, rural sewage treatment operation and maintenance unit price, urban cleaning operation and maintenance unit price, rural cleaning operation and maintenance unit price, domestic garbage transfer operation and maintenance unit price and domestic garbage treatment operation and maintenance unit price in n^{th} year.

P_{n-2} : Unit price of township sewage treatment operation and maintenance, rural sewage treatment operation and maintenance unit price, urban cleaning operation and maintenance unit price, rural cleaning operation and maintenance unit price, domestic garbage transfer operation and maintenance unit price and domestic garbage treatment operation and maintenance unit price in $n-2^{\text{th}}$ year.

K : price adjustment factor.

$$K = a \left(\frac{E_n}{E_{n-2}} \right) + b \frac{L_n}{L_{n-2}} + c \frac{Ch_{n-1}}{Ch_{n-2}} + d \left(\frac{Tax_n}{Tax_{n-2}} \right) + e + f \frac{CPI_{n-1}}{CPI_{n-2}}$$

Where:

a = the proportion of electricity charges in the price composition.

b = the proportion of labor cost in the price composition.

c = the proportion of chemical consumption in the price composition.

d = the proportion of financial expenses in the price composition.

e = the proportion of depreciation and amortization in the price composition.

f = the proportion of other factors other than electricity, labor cost, chemicals, financial expenses and depreciation and amortization in the price composition.

$$a + b + c + d + e + f = 100\%$$

The respective values of a, b, c, d, e and f are revised by Wujiang District Housing and Urban-Rural Planning and Construction Bureau according to the market situation changes every two (2) operating years and financial analysis in Party B's price adjustment report (as mentioned earlier).

N = The n^{th} year is the year of price adjustment.

E_n = The electricity tariff index of Party B in the n^{th} year (the electricity price per kilowatt-hour paid by Party B shall be calculated according to the average electricity price of the current year).

E_{n-2} = The electricity tariff index of Party B in the $n-2^{\text{th}}$ year (the electricity price per kilowatt-hour paid by Party B shall be calculated according to the arithmetic average of the electricity price of the current year).

L_n = The average wages of on-duty workers in the industry of "Water Conservancy, Environment and Public facilities Management" for $n-1^{\text{th}}$ announced by Wujiang District Statistics Department in n^{th} year.

L_{n-2} = The average wages of on-duty workers in "Water Conservancy, Environment and Public facilities Management Industry" for $n-3^{\text{th}}$ year announced by the statistics department of Wujiang District in $n-2^{\text{th}}$ year.

Ch_{n-1} = Chemical raw material price index of "Industrial producer purchase Price Index" for the $n-1^{\text{th}}$ year announced by Wujiang District Statistics Department

Ch_{n-2} = Chemical raw material price index of "Industrial producer purchase Price Index" for the $n-2^{\text{th}}$ year announced by Wujiang District Statistics Department

Tax_n = The financial expenses of Party B in the n^{th} year

Tax_{n-2} = The financial expenses of Party B in the $n-2^{\text{th}}$ year

CPI_{n-1} = The consumer price index published by the statistical department of Wujiang District in the $n-1^{\text{th}}$ year.

CPI_{n-2} = The consumer price index published by the statistical department of Wujiang District in the $n-2^{\text{th}}$ years.

2) Price adjustment method:

a) The price is adjusted every two years. If the price adjustment factor K changes by more than 3%, the price shall be adjusted according to the price adjustment factor K.

b) If any of the components of K in a non-price adjustment year changes by more than 5%, the price of the current year can also be adjusted according to the price adjustment factor K of the current year.

The weight proportion of each price adjustment factor shall be determined on the signing date, and the values of E, L, Ch and CPI on the commercial operation date shall be confirmed after the signing of the agreement.

If any of the above indexes cannot be obtained from the data published by the Wujiang District Bureau of Statistics, the index published by Shaoguan City or Guangdong Provincial Bureau of Statistics will be used instead. Since the Wujiang District Statistics Bureau provided the above-mentioned index, the Wujiang District Municipal Statistics Index has been adopted instead.

If the above index is revised or is no longer available by Wujiang District, Shaoguan City or Guangdong Provincial Bureau of Statistics between the starting commercial operation date and the handover date, the Wujiang District Housing and Urban-Rural Planning and Construction Bureau and Party B may agree on an alternative index, or if it cannot be agreed, it shall be determined in accordance with the "dispute settlement" Article of the PPP contract.

In this contract, if there is a change or increase in taxes and fees other than the original taxes and fees of Party B due to the applicable law, both parties shall supplement the price adjustment formula before the first price adjustment after the change, so that the impact of changes in related fees on service charges will be reflected in the price adjustment formula, and the specific matters will be agreed by both parties at that time.

If there are major changes in national laws, regulations, policies, norms and standards related to the project or changes proposed by the government (such as changes in transportation distance, etc.), which lead to significant changes in the investment or operating costs of the project, Party B will submit the change in the cost of health to the Housing and Construction Bureau for approval.

If the adjusted price fails to pass the hearing and the approval of the relevant government departments, it shall be made up by the government in the form of feasibility gap subsidy.

Definition of base year: The first price adjustment is based on the year in which the commercial operation date is started, and the starting date of the price adjustment cycle is taken as the starting date. The subsequent price shall be adjusted in the year in which the last price adjustment occurred as the base year, and the implementation date of the price adjustment shall be taken as the starting date of the price adjustment cycle.

Annex 19 Emergency Plan

Party B shall conduct regular emergency drills as required and shall ensure the stability and safety of production and services to prevent accidents. In the event of a major accident, Party B shall promptly notify Party A and try its best to rescue and restore production and services as soon as possible; During the period affected by the accident, Party B shall take various emergency measures to remedy, minimize the impact of the accident on the public.

The emergency plan documents are finally provided by the social capital party.

Annex 20 Supplementary Requirements for Project Operation and Maintenance

Chapter I Supplementary Requirements for Operation and Maintenance of Garbage Sub-projects

1.1 Inspection, testing and measurement

(1) The inspection, inspection / measurement of the area and quality of cleaning, the actual quantity of garbage collection and transportation, and the quantity and quality of comprehensive reduction of garbage shall be operated in accordance with the provisions of Annex 3, and the penalty for breach of contract shall be determined with reference to the provisions of Annex 16.

(2) Party B shall inspect the quality of incoming garbage, garbage reduction and disposal according to the indicators, items, inspection cycle, frequency, inspection methods and standards specified in Annex 3. Party B shall install a metering device at the comprehensive reduction collection station of domestic garbage to measure, calculate and record Party B's garbage supply, actual collection and transportation, actual reduced handling and actual reception on a daily, monthly and annual basis in accordance with the provisions of Annex 4. Among them, the collection and transportation volume of domestic garbage shall be based on the total measurement of the terminal treatment site of domestic garbage and the comprehensive reduction collection station of domestic garbage in Shaoguan City. It does not include the amount of slag transported to the terminal treatment site of domestic garbage in Shaoguan through the comprehensive reduction collection station of domestic garbage (for domestic garbage transported directly to the terminal treatment site of domestic garbage in Shaoguan City and the slag produced by the comprehensive reduction collection station and then transported to the terminal treatment site of domestic garbage in Shaoguan City, the government shall coordinate the entry procedures of the terminal handling site of domestic garbage in Shaoguan City and charge for entering the market is free). The amount of comprehensive reduction of domestic garbage shall be measured by the entry metering device of the

comprehensive reduction collection station of domestic garbage. Party A shall have the right to send a commissioner or third-party regulatory authority to Party B and ensure that the remote monitoring system is continuously operated and monitored on each operating day to supervise Party B's inspection, testing / measurement of incoming garbage, garbage reduction and disposal quality / garbage supply, actual collection and transportation, actual reduced handling and actual reception. In the presence of the commissioner stationed by Party A or the third party regulatory authority and informed by the remote monitoring personnel of Party A through the remote monitoring system, the representatives of Party B shall inspect / measure the incoming garbage, garbage reduction and disposal quality / garbage supply, real-time transportation, actual reduced handling and actual reception. The inspection / measurement results shall be recorded in writing by the representative of Party B (hereinafter referred to as "inspection / measurement result record"). The record should include the quality / supply of incoming refuse, refuse reduction and disposal, actual collection, actual reduced handling and actual reception, as well as other details of the findings. After completion of the record of inspection and measurement results, it shall be submitted to Party A's commissioner and remote monitoring personnel. The inspection / measurement result record shall be valid only after it has been countersigned by Party A's commissioner and confirmed by the remote monitoring personnel through the remote monitoring system. Party B shall submit to Party A within five (5) operating days after the end of each operating month, the incoming garbage, garbage reduction and disposal quality / garbage supply, actual collection, actual reduced handling and actual received inspection / measurement results confirmed by the countersignature of Party A's commissioner and remote monitoring personnel through the remote monitoring system.

(3) If Party A's commissioner or remote monitoring personnel (a) finds any questions during Party B's inspection / measurement process, Party B is required to correct, but Party B refuses to correct, or (b) The inspection / measurement result record does not conform to the inspection / measurement record of Party A commissioner or remote monitoring personnel, it has the right to refuse to countersign or confirm the inspection / measurement result record.

(4) Party B, the commissioner of Party A and the remote monitoring personnel shall negotiate and adjust the records of inspection / measurement results that cannot be signed or confirmed, the Commissioner of Party A and the remote monitoring personnel shall countersign and confirm the final agreed records of inspection and measurement results. If the three parties cannot reach an agreement, a qualified third party approved by the three parties shall be hired for the test, and the commissioner of Party A and the remote monitoring personnel shall countersign and confirm the results of the test, and the cost of the test shall be borne by Party B.

(5) Party A shall check the inspection / metering equipment, inspection / metering process, inspection / metrology readings and Party B's inspection / metrology records at least twice a year from the date of commercial operation. The cost of such inspection or verification shall be borne by Party A, but (a) if the verification results of the inspection / metrology readings or Party B's inspection / metrology records are materially different from those of Party B's self-test, or (b) If the verification results of the inspection / metrology device or the inspection / metrology process indicate that there is a problem with the inspection / metrology device or inspection / metrology process and there is a substantial difference between Party A's test results after excluding these problems and Party B's self-test results, Party B shall bear the expenses. If Party A finds that any inspection / metering equipment is not accurate, Party B shall bear the cost to repair or replace it as soon as possible.

(6) If there is a substantial difference between Party A's verification or test results and Party B's self-test results, Party A shall provide the verification or test results report to Party B within 5 working days after the results are obtained. If Party B does not object within 5 working days after receiving the results report, it shall be deemed to agree with Party A's verification results, otherwise both parties shall employ qualified third parties approved by both parties to prevail. The cost of employing a third party for testing shall be borne by Party B.

1.2 Rejection and special instructions

For the sub-project of the comprehensive reduction collection and transportation station of domestic garbage, if Party B sends the incoming garbage not up to the standard after sampling inspection, Party A and the relevant garbage supplier may make a reasonable decision before unloading and notify Party A in writing within 3 hours (or by oral notice plus fax or e-mail) and refuse to accept the substandard garbage. After receiving Party B's notice of rejecting substandard garbage, Party A shall have the right to issue special instructions to require Party B to receive such substandard garbage, and shall coordinate the corresponding substandard garbage supply to Party B to pay the corresponding compensation stipulated in Article 1.6. If Party B unloads any substandard garbage, Party B shall be deemed to have waived the right to reject the waste, but the waiver shall not prevent Party B from receiving the corresponding compensation in accordance with Article 9. 6. At the same time, Party B shall notify Party A in writing within 3 hours (or by oral notice plus fax or e-mail) and the relevant garbage supplier that it has received substandard garbage. The above notice shall include details of the supplier of such substandard refuse, all relevant inspection results and the results of other relevant investigations in respect of such substandard cases.

1.3 Minimum garbage collection and supply

There is no minimum garbage guarantee for all sub-projects of this project.

1.4 Substandard values, shortages and their periods

The parties shall only determine the incoming garbage not up to the standard value, the garbage reduction and disposal quality not up to the standard value, the insufficient garbage supply, the actual reduced disposal capacity and the actual receiving capacity and their duration in the following ways:

(1) If Party A fails to carry out the verification at least once a month in accordance with Article 1.1 (3), the record of the inspection / measurement results confirmed by the countersignature of the Commissioner of Party A and the remote monitoring personnel through the remote monitoring system shall prevail.

(2) If Party A verifies, verifies or tests at least once a month in accordance with Article 1.1 (3) and the results are different from the self-test results of Party B, the duration of such substandard or insufficient quantity is the period between the last verified operation date and the verified operating date, and such substandard or insufficient quantity shall prevail as verified by Party A.

(3) On the premise of Article (2) above, if there is a substantial difference between the verification or test results and Party B's self-test results, and Party B indicates the opposite within 5 working days after receiving the verification result report, the duration of the substandard value or deficiency shall be the period between the last verified operation date and the verified operation date. Such substandard value or deficiency shall be in accordance with 1.1 (6) shall be subject to the test results of qualified third parties agreed by both parties.

1.5 Failure to clean, collect, transport and deal with the consequences in time

During the operation period, if Party B fails to clean within the specified time, fails to transfer within [6] hours after the actual garbage collection, or fails to dispose of the garbage within 24 hours after the actual collection of garbage, the Operations Coordination Committee or the Commissioner of Party A shall urge Party B or notify Party A himself, and Party A shall have the right to require Party B to pay liquidated damages for non-timely handling in accordance with the provisions of Annex 16.

1.6 Consequences of entering garbage not up to standard

For the sub-project of the comprehensive reduction collection and transportation station of domestic garbage, if the incoming garbage is not up to the standard, Party B shall inform Party A of the actual increased operating costs or capital expenditure caused by the increased treatment load and the corresponding garbage supplier. Party A shall review the records of the incoming garbage inspection results countersigned by Party A's commissioner and the remote monitoring personnel through the remote monitoring system and the written notice issued by Party B on substandard garbage. After the amount and the corresponding substandard garbage supplier has been confirmed and approved by Party A, Party A shall pay the corresponding compensation to Party B.

1.7 Consequences of substandard quality of garbage cleaning

(1) After the commencement of commercial operation, if the quality of garbage cleaning / reduction treatment does not meet the requirements of Annex 17 and / or the relevant garbage disposal standards of this contract due to Party B and not due to Party A's breach of contract or force majeure, it shall be deemed that the quality of garbage disposal is not up to standard, and Party B shall pay the corresponding liquidated damages to Party A in accordance with Annex 16.

(2) If Party A fails to meet the standard due to Party A's breach of contract or force majeure, Party B does not have to pay the corresponding non-standard liquidated damages.

(3) After the commencement of commercial operation, if any operating year is recorded or notified by Party B or verified by Party A.

If any of the above mentioned in Article (1) fails to meet the standards for a total of more than 30 days or has not been amended within the limited time limit as reasonably required by Party A, Party A shall have the right to terminate this contract as a result of such breach of contract by Party B.

(4) Party A shall have the right to deduct such liquidated damages directly from the garbage disposal service charge or withdraw such liquidated damages from the operation and maintenance guarantee in accordance with Article 1.7 (1).

1.9 Basic requirements for cleaning

(1) Sanitation garbage collection bins should be configured according to the number of garbage peak, and the standby rate of 14% should be taken into account.

(2) The garbage collection and transfer vehicles shall be configured based on the Labor Quota of Urban Appearance and Environmental Sanitation (Jianbiao [2008] No. 110) and the first-class transport distance and garbage collection volume provided by Party A.

(3) The construction mode of "horizontal split matching hook arm car" should be used in the new construction and renovation of garbage transfer stations in town streets.

(4) Road cleaning machinery should be selected according to road grade, working conditions, pollution degree and other factors.

(5) The operation of sprinklers generally depends on the weather conditions, and the normal weather at night is mainly to wash the road surface and to spray the road surface. The road needs comprehensive maintenance and road flushing vehicles need to be equipped. High-pressure flushing vehicles with high pressure and low flow performance shall be used for road flushing, which can complete flushing and sprinkling operations at the same time. The mechanized roads are washed and sprinkled once a day.

(6) In the central area of each town, sanitation and cleaning personnel are needed to meet the cleaning requirements of the central area of the town. Each town is equipped with multiple sanitation workers and human tricycles, which are fully responsible for cleaning and garbage collection in the central area of the town and tour every day to ensure the environmental quality of the township center area.

Chapter II Supplementary Requirements for Operation and Maintenance of Sewage Sub-Projects

1.1 Water sample collection and storage and water quality testing

- (1) The collection and storage of water samples should meet the corresponding requirements of Annex 4.
- (2) The inlet water sample and the effluent water sample used to detect the water quality should be collected at the sewage inlet sampling point and the sewage effluent sampling point respectively.
- (3) The indicators, items, testing cycle, frequency, testing methods and standards for testing influent and effluent quality shall comply with the provisions of Annex 4 and implement the newly promulgated and implemented national and industry standards.
- (4) Party B shall submit to Party A the daily inspection report of inflow and effluent of the previous operating month within 5 operating days after the end of each operating month.
- (5) If Party B finds that any kind of influent quality or effluent quality index exceeds the standard, Party B shall immediately notify Party A by fax or e-mail and send a written notice to Party A within 48 hours. The above notice shall include details of all relevant test results and the results of other relevant investigations made in respect of such non-standard cases. The quality of the effluent exceeding the standard shall also include Party B's best and worst predictions for the period within which the excess may last, as well as the causes of such situations, including any details of force majeure claimed by Party B and a detailed description of the remedial measures taken.
- (6) Party A or its designated qualified inspection institution shall have the right to carry out on-site inspection and verification of Party B's testing procedures, instruments, equipment and results. The cost of such inspection or verification shall be borne by Party A, but if the result of the inspection or verification is materially different from that of Party B's self-test, and it is proved that Party B's self-test result is incorrect, Party B shall bear such expenses.
- (7) If there is a substantial difference between Party A's verification or inspection results and Party B's self-inspection results, Party A shall provide Party B with the report of its verification or spot check results within 5 working days after the results are obtained. If Party B does not object within 5 working days after receiving the result report, it shall be deemed to have agreed with Party A's verification result, otherwise both parties shall employ a qualified third party recognized by both parties to carry out the test and refer to the results of the third party. The details of hiring a third party for testing shall be agreed upon separately by both parties.

1.2 Measurement of water volume (sub-project of township sewage treatment facilities)

(1) Party B shall install a metering and testing device in accordance with the provisions of Annex 4 to continuously measure, calculate and record the water intake and output of the sewage treatment plant, including instantaneous flow and hourly, daily, monthly and annual cumulative flow. On the day following the final completion day or at the time agreed by both parties, both parties shall set a base reading for all installed flowmeters to determine the original value of each Flowmeter.

(2) During the whole operation period, Party B shall submit to Party A the inflow and effluent flow reports of the previous operation month within 5 operating days after the end of each operation month, and the amount of water shall be calculated in cubic meters. The inflow and effluent flow should be measured by installing equipment at the sewage inlet sampling point and the sewage effluent sampling point respectively.

(3) The Operations Coordination Committee shall inspect, calibrate and test the convection meter at least once every three months after installation of the metrological testing device. If any flow meter is found to be inaccurate, Party B shall repair or replace it at Party B's expense as soon as possible.

(4) Party A has the right to check the flowmeter readings and Party B's meter reading records. The cost of such inspection or verification shall be borne by Party A, but if the result of the inspection or verification is materially different from that of Party B, and it is proved that the result of Party B is incorrect, Party B shall bear such expenses.

(5) If there is a substantial difference between the verification or inspection results of Party A and the self-test results of Party B, Party A shall provide the verification or inspection results report to Party B within 5 working days after the results are obtained. If Party B does not object within 5 working days after receiving the result report, it shall be deemed to have agreed with the verification result of Party A, otherwise both parties shall employ a qualified third party organization recognized by both parties to conduct the nuclear test. The results of the third party inspection test shall prevail. The details of employing a third party for inspection shall be agreed upon separately by both parties.

1.3 Amount of water handled by project design

From the start of commercial operation to the end of the project cooperation period, the designed treatment capacity of the sewage treatment facilities of this project is specified in Annex 4. Party B shall conduct research in the preparatory stage of the project, fully understand the sewage production in the service areas of the town and rural sewage treatment facilities, predict the amount of water collected by the pipe network, and optimize the design scheme, and pay attention to the maintenance and expansion of the supporting pipe network in the process of operation to ensure that the incoming water meets the load requirements of the sewage treatment plant.

1.4 Maintenance of supporting pipe network collection system

(1) Party B shall inspect and maintain the supporting pipe network collection system and facilities in accordance with the provisions of Annex 4 and Annex 6, so as to maintain good hydraulic function and structure of the supporting pipe network collection system.

(2) The inspection contents of the supporting pipe network include sewage overflow, stagnant water in the mouth of rain water on a sunny day, manhole cover defects, pipe canal collapse, illegal occupation, illegal discharge, private takeover, mixed connection of rain and sewage, and the construction of projects affecting pipe and canal drainage.

(3) The intact rate of pipes and canals and ancillary facilities is required to reach more than 90%.

(4) Party B shall pay attention to the maintenance and expansion of the pipe network to ensure that the amount of water entering the plant meets the treatment load requirements of the sewage treatment plant.

(5) Party B shall carry out pipeline maintenance in accordance with the following requirements:

(a) Regularly inspect to detect and repair pipeline cracks, corrosion, settlement, deformation, misalignment, disconnection, breakage, holes, penetration, leakage, spillover, etc.

(b) Maintain pressure pipes by hydraulic flushing at full load, at least once every three months.

(c) Regularly remove scum from breathable wells.

(d) Keep ancillary facilities such as exhaust valves, pressure wells, breathable wells in good condition and effective.

(e) Regularly open the cover to check the cover plate of the pressure well and find if the cover plate is corroded, the gasket is aging and there are cracks in the well body and the mud in the pipe. If found, it should be repaired and maintained in time.

(6) Party B shall maintain the pumping station in accordance with the following requirements:

(a) The intact rate of pumping station units should be more than 95%.

(b) The water level meter, flow meter and rain gauge in the pumping station shall be checked once a year.

(c) The appearance of mechanical and electrical equipment, facilities and pipe fittings of the pumping station shall be derusted and treated for anti-corrosion once every two years.

(d) Flammable, explosive and toxic gas monitoring devices, safety valves, lifting equipment and pressure vessels installed in the pumping station shall be inspected annually in accordance with the regulations and shall not be used until they have passed the inspection.

(e) The walls, roads, pumping rooms and ancillary facilities of the pumping station should be cleaned and maintained regularly, repaired immediately in case of damage, and renewed every 3 years.

1.5 Excess amount and period of influent water from sewage

During the operation period, both parties shall determine the excess amount and period of sewage inflow only in the following ways:

(1) After Party B notifies Party A in writing of the excess water intake in accordance with Article 1.2 (2), if Party A fails to verify the excess water intake within 10 working days after receiving such notice, the excess amount and period of sewage water intake shall prevail as described in Party B's notice.

(2) After Party B notifies Party A in writing of the excess of water intake in accordance with Article 1.2 (2), if Party A verifies it within 10 working days after receiving such notice, and the results verified according to the same provisions show that there is an excess of sewage inflow, the excess and period of sewage inflow shall be verified by Party A or a third party.

1.6 Excess / deficiency of effluent quality / quantity and period

During the operation period, both parties shall only determine the excess / deficiency of effluent quality / quantity and the period as follows:

(1) If the daily inspection report of the effluent submitted by Party B in accordance with the provisions of this contract shows that the quality / quantity of the effluent exceeds the standard / deficiency, the over-standard value / deficiency of the effluent quality / quantity shall prevail.

(2) If Party B notifies Party A in writing in accordance with the provisions of this contract that the quality / quantity of effluent exceeds the standard / deficiency, the excess / deficiency of effluent quality / quantity of sewage shall be subject to the description of Party B's notice.

(3) If the results verified by Party A in accordance with the provisions of this contract show that the effluent quality / quantity of sewage is excessive / insufficient, and the period of excess / deficiency of effluent quality / quantity is the operation day of the last verification (if not in this month, it is the first operation day of this month), and the period between the operation day of this verification. The excess / deficiency of effluent quality / quantity shall be verified by Party A or a third party.

(4) In the event of a conflict between the above 3 Articles, the Article (3) shall prevail.

1.7 Consequences of excessive effluent quality

During the operation period, if the quality of the effluent exceeds the standard, it shall be treated according to the following methods:

(1) If the daily average influent COD concentration does not exceed [120mg/L] and the effluent quality exceeds the standard, Party B shall accept the fine imposed by the environmental protection department on Party B according to applicable law, and pay Party A the penalty for exceeding the standard of effluent quality according to item 1 of Annex 16.

(2) When the daily average influent COD concentration exceeds [120mg/L], Party B shall immediately report the situation to Party A. If the effluent quality after sewage treatment by Party B in accordance with the prudent engineering operation practice does not meet the standard, it shall not be regarded as Party B's breach of contract.

1.8 Consequences of excess influent of sewage

1.8.1 Excess influent of sewage

Since the commercial operation date, the actual inflow of Party B in any operation year is greater than the designed treatment water capacity of the project in that operation year (except for rural sub-projects), that is, the sum of the actual water inflow of each operating day in the operating year is greater than the designed treatment water volume X operating days of each operating day in that operating year, which is the excess of sewage inflow.

1.8.2 Consequences of excess influent of sewage.

For the sub-project of the town sewage treatment facility, when the average daily sewage intake of an operating month is greater than the design scale, Party B shall immediately issue a written application to Party A. Party A has verified that the sewage influent quality reaches a certain concentration and the emission reduction effect is obvious, and when the sewage influent quantity is sufficient, Party A may approve and agree to the sewage treatment operation on the designed scale in the next operating month. however, the average daily sewage intake of any sewage treatment facility project at the town shall not exceed [designed water volume X110%], and Party B shall treat all the sewage coming into the plant in the next operating month. The excess amount of sewage inflow shall be calculated and paid for the sewage treatment service charge according to the variable cost determined in the tender documents approved by the government submitted by the social capital party of the unit price of sewage treatment operation and maintenance.

For the town sewage treatment facility sub-project, if the actual water intake of a sub-project is more than 10% of the designed water treatment capacity of the sub-project in two consecutive operating years, Party B shall issue a written notice to Party A to elaborate on the expansion plan that it considers necessary and reasonable to expand the treatment capacity of the project, Party A shall determine whether to implement the upgrading and transformation, and the expansion plan shall be determined through consultation between the two parties.

1.9 Consequences of insufficient effluent from sewage treatment (for subprojects of sewage treatment facilities at villages and towns)

During the operation period, if the amount of effluent is insufficient, it shall be treated according to the following methods:

1.9.1 Insufficient effluent capacity of sewage

It means that Party B fails to dispose of the actual sewage inflow when the actual sewage inflow on an operation day does not exceed the designed treatment capacity of the project on the operation day.

1.9.2 Consequences of insufficient effluent capacity

Unless there is force majeure, Party B shall deduct the relevant sewage management service charge according to the performance appraisal in case of insufficient sewage output.

The specific cost shall be calculated in accordance with the requirements of this contract.

1.10 Minimum sewage supply of town sewage treatment plant

There is no minimum sewage supply for township sewage treatment plants.

Fixed Assets Loan Contract

Bank of Communications Company Limited

Fixed Assets Loan Contract

Important Tip

The borrower is requested to read the full text of this contract carefully, especially the terms marked with “▲▲”. If in doubt, please apply to the lender for explanation in time.

In view of the fact that the borrower applies to the lender for a fixed assets loan, in order to clarify the rights and obligations of both parties, the borrower and the lender have made this contract through consultation.

Article 1 Definitions

1.1 "Bank Working Days" and "Working Days" refer to the opening business days of the bank-to-public business at the place where the lender is located, excluding statutory holidays and rest days (except those operating due to holiday adjustment). If performance days of obligations such as loan date, repayment date, interest payment date and maturity date meet a non-bank working day, it shall be postponed to the next bank working day accordingly.

1.2 The terms such as related parties, related party transactions and major investors have the same meaning as the same words in the *Accounting Standards for Enterprises No. 36-- Related Party Disclosure* issued by the Ministry of Finance (Finance and Accounting [No. 200613] and subsequent amendments to the standards.

Article 2 Calculation and Payment of Interest Rate and Interest

2.1 Basic Rules for Determining Interest Rates

2.1.1 The interest rate shall be agreed upon by the borrower in the *Application for Use of the Loan Limit of the Bank of Communications (hereinafter referred to as the "Application for Limit Use")* after negotiation between the two parties. Unless both parties agree on a specific amount of interest rate in the *Application for Limit Use*, the specific interest rate of each loan shall be determined according to the type of benchmark interest rate agreed in the *Application for Limit Use*, the date of application of the base interest rate, the floating range / plus (minus) value of the interest rate, floating rules of interest rate, floating cycle of interest rate, floating cycle unit of interest rate and the specific date from which the floating begins (if necessary).

2.1.2 The category and definition of "benchmark interest rate": 1 "Benchmark Loan Rate of the People's Bank of China" refers to the benchmark loan rate of RMB loans of financial institutions announced by the People's Bank of China; (2) LPR quotation of Bank of Communications refers to the quoted base interest rate of loans published by Bank of Communications Co., Ltd on its official website; (3) The average interest rate of LPR refers to the base interest rate of loans issued by the National Interbank lending Center.

2.1.3 If the loan currency is RMB, daily interest rate = monthly interest rate/30, monthly interest rate = annual interest rate/12; If the currency is Hong Kong dollar, pound sterling and Australian dollar, daily interest rate = annual interest rate / 365; If the currency is US dollar, euro, Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate / 360.

▲▲2.2Interest Rate of Loan

The loan interest rate at the time of each loan shall be determined according to the floating range / plus (minus) point value of the interest rate on the basis of the benchmark interest rate on the applicable date of the benchmark interest rate stipulated in the Application for Limit Use. Taking the "applicable date of the benchmark interest rate" as T-day, the benchmark interest rate used to determine the loan rate of the loan shall be determined in accordance with the following rules:

- (1) If the benchmark interest rate is the loan benchmark interest rate of the People's Bank of China, the benchmark interest rate shall be the loan benchmark interest rate of the People's Bank of China applicable on T-day.
- (2) If the benchmark interest rate is quoted by the LPR of the Bank of Communications, the benchmark interest rate value is the LPR value released on the latest working day before T. If the LPR is not released on the latest working day before T day, the benchmark interest rate value is the LPR value released on the latest working day before that date.
- (3) If the benchmark interest rate is the average interest rate quoted by LPR, the benchmark interest rate shall be the LPR value released on the latest working day before T. If the LPR has not been released on the latest working day before T date, the benchmark interest rate shall be the LPR value released on the latest working day before that date.

2.3Adjustment of Interest Rates

2.3.1 If *Application for Limit Use* is recorded as a fixed interest rate, the current loan shall carry out the interest rate recorded during the term of the loan.

▲▲2.3.2 If the *Application for Limit Use* is recorded as a floating interest rate, the loan issued at the current time shall determine the date of adjustment of the loan interest rate according to floating rules of interest rate, floating cycle of interest rate, floating cycle unit of interest rate and specific date (if necessary) stipulated in the *Application for Limit Use*, and the adjusted interest rate shall apply from the date of adjustment of the loan interest rate.

2.3.2.1 If the benchmark interest rate is adjusted within the term of the loan, the period of adjustment of the loan interest rate shall be calculated from the "loan entry date" or "specific start date" according to the "floating by loan date" or "specific start date" selected by the floating rules of interest rate. The blank column of the floating cycle of interest rate is filled by the number of floating cycles of interest rate, and the floating cycle units of interest rate can be chosen by day or by month. If the number of floating cycles of interest rate is "1" and the floating cycle unit is chosen "by day", the adjustment date of the benchmark interest rate shall be taken as the adjustment day of loan interest rate; If the floating cycle value of interest rate is filled by "3" and the floating cycle unit is chosen "by day", then from the "loan entry date" or "specific date floating start date", every 3rd day is the loan interest rate adjustment day. If the number of floating cycles of interest rate is filled by "1", and the unit of floating period is chosen "by month", then from the "loan entry date" or "specific date floating start date", every full month is the loan interest rate adjustment day. If the number of floating cycles of interest rate is filled in "3", and the unit of floating cycle chooses "monthly", then from the "loan entry date" or "specific date floating start date", every 3rd month is the loan interest rate adjustment day, and so on.

2.3.2.2 The loan interest rate on the adjustment date of loan interest rate is determined on the basis of the benchmark interest rate on the loan interest rate adjustment date, and the floating range / plus (minus) point value of the interest rate remains unchanged (except where both parties agree to adjust the floating rate or the plus or minus point value). Taking the "adjustment date of loan interest rate" as the T-day, the benchmark interest rate values used to determine the adjusted loan interest rates shall be determined in accordance with the following rules:

(1) If the benchmark interest rate is the loan benchmark interest rate of the People's Bank of China, the benchmark interest rate shall be the loan benchmark interest rate of the People's Bank of China applicable on T-day.

(2) If the benchmark interest rate is quoted by the LPR of the Bank of Communications, the benchmark interest rate value is the LPR value released on the latest working day before T. If the LPR is not released on the latest working day before T day, the benchmark interest rate value is the LPR value released on the latest working day before that date.

(3) If the benchmark interest rate is the average interest rate quoted by LPR, the benchmark interest rate shall be the LPR value released on the latest working day before T. If the LPR has not been released on the latest working day before T date, the benchmark interest rate shall be the LPR value released on the latest working day before that date.

▲▲2.3.3 If the "loan benchmark interest rate of the People's Bank of China" is chosen as the benchmark interest rate, and the adjusted loan benchmark interest rate of the People's Bank of China is a floating interest rate or the benchmark interest rate is cancelled, the two parties shall negotiate and adjust the loan interest rate separately. However, the adjusted interest rate shall not be lower than the interest rate applicable at that time; If the two parties have not reached an agreement on the adjusted interest rate more than one month from the date of adjustment of the People's Bank of China, the lender shall have the right to announce that the loan is due ahead of schedule.

If the benchmark interest rate is selected as "LPR Quotation of Bank of Communications" or "LPR quotation average interest rate", and the relevant benchmark interest rate is cancelled in accordance with the regulatory requirements or the corresponding issuer stops releasing the benchmark interest rate in accordance with the regulatory requirements, the two parties shall negotiate and adjust the loan rate separately, but the adjusted interest rate shall not be lower than the interest rate applicable at that time. If the two parties have not reached an agreement on the adjusted interest rate more than one month from the date of cancellation or suspension of the relevant benchmark interest rate, the lender shall have the right to declare the loan maturing ahead of schedule.

▲▲ 2.3.4 The two parties may adjust the fluctuation or plus or minus point value of the corresponding loan rate after reaching consensus on each loan interest rate adjustment day.

2.4 If the loan currency is RMB, the penalty interest rate for overdue loans shall rise by 50% according to the interest rate agreed in this contract, and the penalty interest rate for misappropriation loans shall rise by 100% according to the interest rate agreed in this contract. If a floating rate loan meets the adjustment of the benchmark interest rate, the lender shall have the right to adjust the penalty interest rate applicable to each loan, and the new penalty interest rate shall be applicable from the date of adjustment of the loan interest rate stipulated in the corresponding "Application for Limit Use".

2.5 Calculation of Interest

2.5.1 Normal interest = the interest rate stipulated in this contract X the loan amount X occupation days

The number of occupation days is calculated from the loan date (inclusive) to the maturity date (excluding). If the maturity date is a non-working day, the occupation days shall be included in the extension period and the interest shall still be calculated in accordance with the provisions of this contract.

2.5.2 The penalty interest on overdue loans and misappropriated loans shall be calculated on the basis of the amount overdue or misappropriated and from the actual number of days (from the date of overdue or misappropriation) to the date of repayment of principal and interest (excluding).

2.5.3 In the case of a large amount of interest / penalty interest after the decimal point, the lender will retain two places after the decimal place according to rounding.

▲▲ 2.6 Due to prepayment by the borrower or early recovery of the loan by the lender in accordance with this contract, if the corresponding interest rate is not adjusted, it shall still be carried out in accordance with the interest rate agreed in this contract.

2.7 If the currency of the loan is foreign currency, the determination of the interest rate, the adjustment of the interest rate, the penalty interest rate for overdue and misappropriated loan shall be determined in accordance with Article 17 of this contract.

▲▲ 2.8 The borrower confirms that: In the case of loan issuance in stages under this contract, the specific interest rate of each loan granted shall be determined in accordance with the corresponding "Application for Limit Use", different interest rates may be applied at the same time, and the time for adjusting the interest rate of floating rate loans may also be inconsistent.

Article 3 Issuance and Payment of Loans

▲▲ 3.1 The loan under this contract may be withdrawn in stages, provided that the sum of each withdrawal by the borrower shall not exceed the amount agreed in Article 16. According to the agreement of this contract, if the borrower may withdraw the loan in other currencies (other than those stipulated in Article 16.1), it shall be converted at the daily exchange rate announced by Bank of Communications Co., Ltd. For the purpose of determining the remaining withdrawable amount, if there is no exchange rate that is directly applicable, it shall be converted by Bank of Communications Co., Ltd. in a reasonable manner.

▲▲ 3.2 At the time of the borrower's first withdrawal, the lender has the right to refuse to lend until all the following conditions are met:

- (1) The borrower has completed the statutory formalities such as government permission, approval, approval, filing and registration related to the loan project and loan matters and other formalities required by the lender, and the above-mentioned formalities such as permission, approval, ratification, filing and registration shall remain valid.
 - (2) If the guarantee contract (if any) under this contract has entered into force and remains in force and if the guarantee contract is a mortgage contract and / or a pledge contract, the security real right has been established and continues to be valid.
 - (3) The borrower has opened a special loan account, repayment reserve account and project income account (if any) with the lender as required by the lender.
 - (4) No significant adverse changes have taken place in the borrower's business and financial situation.
 - (5) The borrower provides the relevant documents approved by the lender that the capital of the same proportion as the loan has been fully in place and that the actual progress of the project matches the amount of investment.
 - (6) The mode of payment of the loan conforms to the provisions of this contract. If the lender is entrusted with the payment, the lender agrees to pay.
 - (7) Where a foreign currency loan is drawn, the borrower has provided proof that the loan conforms to the relevant foreign exchange control policies, including, but not limited to, valid foreign exchange use certificates or registration documents.
 - (8) The time of withdrawal shall not be later than the first withdrawal date stipulated in this contract.
 - (9) There is no negative change in the main economic and technical indicators of the loan project, and the progress of the loan project is normal.
 - (10) The "early expiration event" stipulated in this contract has not occurred.
-

▲▲ 3.3 Prior to each subsequent withdrawal, the lender shall have the right to refuse to lend until the following conditions are met:

- (1) The matters and documents listed in item (1), (2) and (7) of Article 3.2 shall remain in force;
- (2) The borrower provides the relevant documents approved by the lender that the capital of the same proportion as the loan has been fully in place and that the actual progress of the project matches the amount of investment.
- (3) The mode of payment of the loan conforms to the provisions of this contract. If the lender is entrusted with the payment, the lender agrees to pay.
- (4) No significant adverse changes have taken place in the borrower's business and financial situation;
- (5) The time of withdrawal shall not be later than the final withdrawal date agreed in this contract.
- (6) There is no negative change in the main economic and technical indicators of the loan project, and the progress of the loan project is normal.
- (7) The "early expiration event" stipulated in this contract has not occurred.
- (8) Other conditions stipulated in this contract.

3.4 If the designated loan account of the borrower is opened with a special loan account with the lender, the issuance and payment of the loan shall be handled through that account. The account is only used for the issuance and external payment of loan funds, and only the certificate of "Settlement Business Application" is sold. It is not allowed to handle cheques, bills of exchange, bank acceptance and other business, and may not be used for other settlement. When the borrower independently pays for the transfer of loan funds, it must be handled at the counter of the branch that opens an account. The deposit interest of the account is credited to the loan repayment settlement account.

3.5 Before each withdrawal, the borrower shall go through the relevant withdrawal procedures in advance in accordance with the time agreed in this contract, and specify the method of payment (entrusted by the lender or paid independently by the borrower). Only one method of payment can be used for each withdrawal.

▲▲ 3.6 The lender's fiduciary payment means that the lender pays the loan funds directly through the borrower's account to the borrower's counterparty for the purpose agreed in this contract after issuing the loan in accordance with the borrower's power of attorney.

If the amount of a single payment exceeds the independent payment limit stipulated in this contract or meets the conditions stipulated in Article 19.4 of this contract, the payment of loan funds shall be made by the lender.

Where payment is entrusted by the lender, the borrower shall submit to the lender Application for Limit Use, the corresponding power of attorney for payment and other materials required by the lender (including but not limited to transaction materials such as business contracts, invoices and receipt documents) and specify the amount of the loan and the object and amount of payment, and the amount of the loan shall be equal to the total amount of payment to be made.

The lender shall have the right to require the borrower, independent intermediary agencies and contractors to jointly inspect the progress of equipment construction or project construction, and pay the loan in accordance with the joint visa documents issued and in accordance with the conditions stipulated in Article 21.

▲▲ If the proposed payment by the borrower does not comply with this contract or the corresponding business contract or has other defects, the lender has the right to refuse to pay and return the power of attorney for payment submitted by the borrower.

▲▲ If the lender agrees to pay, if it is unable to pay or refund the payment due to incorrect information provided by the borrower, the borrower shall resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. If the payment is delayed or unsuccessful, the lender shall not be held responsible.

3.7 The borrower's independent payment means that after the lender issues the loan funds to the borrower's account in accordance with the provisions of this contract, the borrower shall independently pay to the borrower's counterparty for the purpose agreed in this contract.

If the borrower pays independently, the borrower shall submit to the lender *Application for Limit Use*, instructions for the use of the funds and other materials required by the lender. The borrower shall report the payment of the loan funds to the lender on time. The lender shall have the right to verify whether the loan payment conforms to the agreed purpose by means of account analysis, voucher inspection and on-the-spot investigation, and the borrower shall cooperate with the lender's verification.

▲▲ 3.8 If the lender agrees to grant the loan, the final loan information shall be based on the contents printed on the *Application for Limit Use*. The loan voucher shall be replaced by the *Application for Limit Use*.

Article 4 Repayment of Loans

4.1 The repayment sources of the loan include, but are not limited to, revenue, subsidy income, depreciation and other income of the borrower from the loan project. The agreement on the source of repayment in this article shall affect the borrower's obligation to repay principal and interest in accordance with this contract under no circumstances.

4.2 The borrower shall repay the principal of the loan and pay interest at the time and amount stipulated in the *Application for Limit Use* of this contract.

The number of repayments made by the borrower each year shall comply with the regulatory regulations.

▲▲ 4.3 The borrower cannot repay the loan in advance without the written consent of the lender. If the lender agrees with the borrower to repay the loan ahead of time, the lender shall have the right to collect liquidated damages for prepayment of the loan from the borrower in accordance with the standards stipulated in Article 19.6.

▲ ▲ 4.4 The arrangements for the repayment of principal and interest agreed by the borrower and the lender in *Application for Limit Use* are the true expressions of intention reached by both parties on a voluntary basis after negotiation. Under the repayment arrangement chosen by both parties, whether the principal is repaid before the interest shall not affect the borrower's liability for the repayment of the interest payable, and the borrower shall not defend the repayment of the interest payable. Under any repayment arrangement, the borrower shall be liable for repayment of all principal and interest payable.

▲ ▲ 4.5 When the borrower's repayment (including the borrower's voluntary repayment and the proceeds deducted by the lender in accordance with this contract) fails to pay off all the borrower's debts in full:

- (1) It shall first be used to settle the unpaid expenses due for offsetting. If the principal and interest is less than 90 days overdue, the balance after the reimbursement of the expenses shall first be used to compensate the interest or penalty interest or compound interest that is due, and then used to compensate the principal that is due and unpaid; If the principal or interest is more than 90 days overdue, the balance after reimbursement of expenses shall first be used to offset the principal that is due and unpaid, and then used to offset the interest or penalty interest or compound interest that is due.
- (2) If the borrower has multiple debts (including the borrower's debts to the lender under other contracts), the lender has the right to determine the order of satisfaction of each debt of the borrower as long as such satisfaction order does not violate the mandatory provisions of the applicable laws and regulations, rules and regulations and relevant regulatory requirements of the lender. The lender shall notify the borrower of the result of repaying the debt. Unless otherwise agreed by both parties on the matters of this paragraph.

Article 5 Statement and Guarantee of the Borrower

5.1 The borrower shall be established in accordance with the law and exist lawfully, have all the necessary rights and capabilities, be able to perform the obligations of this contract and bear civil liability in its own name, and have the qualification of the main investor and business qualification of the loan project.

5.2 Signing and performance of this contract is the true expression of intention of the borrower with all necessary consent, approval and authorization, and there are no legal defects.

5.3 All documents, statements, materials (including transaction materials with counterparties) and information provided by the borrower to the lender in the process of applying for the loan and signing and performing this contract are true, accurate, complete and valid, and there is no omission or concealment of any information that may affect the lender's evaluation of his financial position, repayment ability and loan project. There has been no significant adverse change in the borrower's financial position since the reporting date of the latest financial statements.

5.4 The borrower has legal and compliant production and operation, has the ability to continue to operate, has a legal source of repayment, does not involve major environmental and social risks, and has no significant bad credit history. The senior management of the borrower has no bad record. The loan project conforms to the national policies on industry, land and environmental protection, and complies with the legal management procedures of fixed assets investment projects in accordance with the regulations.

▲ ▲ 5.5 Neither the borrower nor its affiliated parties belong to enterprises or individuals on the sanctions list of the United Nations, the European Union or the United States, and are not located in countries and regions sanctioned by the United Nations, the European Union or the United States.

Article 6 Rights and Obligations of the Lender

6.1 The lender shall have the right to recover the principal and interest of the loan (including compound interest, overdue and misappropriation of penalty interest), collect fees payable by the borrower and exercise other rights prescribed by law or agreed upon in this contract.

6.2 The lender has the right to manage and control the payment of loan funds in accordance with the relevant regulations and this contract, and has the right to monitor the relevant accounts in accordance with the provisions of this contract.

▲ ▲ 6.3 In the course of the performance of this contract, the lender shall only conduct a formal examination of the documents provided by the borrower. If the lender fails to complete the entrusted payment in time due to the untruthfulness, inaccuracy or incompleteness of the materials provided by the borrower or the borrower's breach of this contract, the lender shall not be held responsible.

▲ ▲ 6.4 The lender shall issue the loan and handle the payment in accordance with the terms of this contract. If the lender fails to issue the loan or handle the payment on time due to any of the following reasons, the lender shall not be held responsible, however, the borrower will be informed in a timely manner: the designated loan account of the borrower is frozen, the payment account is frozen, force majeure, communication or network failure, the lender's system failure, etc. Unless otherwise stipulated in this contract.

Article 7 Obligations of Borrowers

7.1 The borrower shall repay the principal of the loan under this contract and pay interest according to the time, amount and currency of the loan as stipulated in this contract and the corresponding Application for Limit Use.

7.2 The borrower shall use the loan for the purpose specified in this contract and the corresponding *Application for Limit Use*, shall not divert the loan under this contract for other purposes, and shall not use the loan for equity investment or areas and purposes prohibited by the State from production and operation. The borrower shall use the loan funds in the agreed manner and shall not avoid the entrusted payment of the lender by breaking it into parts; If the borrower pays independently, the borrower shall use the loan within a reasonable time as required by the regulatory authority of the lender, the payment of a single loan shall not exceed the limit stipulated in the contract.

▲▲ 7.3 The borrower shall bear the settlement fee (if any) for the payment of loan (including payment entrusted by the lender and paid independently by the borrower), and the specific charges shall be carried out in accordance with laws, regulations, rules, regulatory regulations and the list of fees and charges of Bank of Communications Services published by the lender at that time.

Where a special loan account is opened, when the loan are paid (including the entrusted payment by the lender and the independent payment by the borrower), the receiving account does not belong to the account opened with Bank of Communications Co., Ltd. and the fund payment shall be handled through the payment system of the People's Bank of China.

If the loan account is not a special loan account, when the loan are paid (including the entrusted payment by the lender and the independent payment by the borrower), and the receiving account is an account of another bank in other places, the fund payment shall be handled through the payment system of the People's Bank of China.

▲▲ 7.4 The borrower shall cooperate with the lender in the supervision and inspection of the use of the loan and the operation of the borrower, provide timely financial statements, records and materials on the use of loan funds, transaction information of related parties and related parties, environmental and social risk reports, and other materials and information required by the lender due to the needs of post-loan risk management, and ensure that the documents, materials and information provided are true, complete and accurate.

▲▲ 7.5 The borrower shall notify the lender in writing at least 30 days in advance of any of the following matters, and shall not take any action until the principal and interest of the loan under this contract is paid off or the repayment plan and guarantee provided are approved by the lender:

- (1) Dispose of all or most of the assets or material assets in a manner such as sell, donate, lease, lend, transfer, mortgage and pledge.
- (2) Significant changes have taken place or may take place in the operating system or the organizational form of property rights, including, but not limited to, the implementation of contracting, leasing, joint venture, corporate reform, joint stock cooperative reform, enterprise sale, consolidation (merger), joint venture (cooperation), division, establishment of subsidiaries, equity transfer, property right transfer, capital reduction, etc.
- (3) The outward investment or substantive increase in debt financing exceeds the limit stipulated in this contract.

▲▲ 7.6 The borrower shall notify the lender in writing within 7 days from the date on which the following events occur or may occur:

- (1) The borrower or its affiliated party shall amend the articles of association, change the business registration items such as the enterprise name, legal representative (responsible person), domicile, correspondence address or business scope, and make decisions that have a significant impact on finance and personnel.
 - (2) The borrower, its associates or guarantors intends to file for bankruptcy or may or has been filed for bankruptcy by creditors.
-

- (3) The borrower or its associated parties are involved in material litigation, arbitration, administrative measures, or, the safety and integrity of major assets, loan project assets or collateral under this contract is or may be affected or the value may be reduced or reduced, or property preservation or other compulsory measures may be taken.
 - (4) The borrower or its affiliated parties provide guarantees to third parties and therefore have a significant adverse impact on their economic status, financial position or ability to perform their obligations under this contract.
 - (5) Contracts signed by the borrower or its affiliated parties that have a significant impact on its business and financial situation.
 - (6) The borrower shall pay off undue debts in advance or give priority to the payment of other maturing debts, increase the pledge of other existing debts, etc., or make any similar arrangements or sign relevant documents.
 - (7) The borrower, its affiliated party or guarantor ceases production, goes out of business, dissolves, suspends business for rectification, is revoked or his business license is revoked.
 - (8) The disappearance of the borrower or its affiliates, the principal investors of the borrowers or their affiliates, the legal representatives (responsible persons), directors or principal managers of the borrowers or their affiliated parties, violations of laws and regulations or violations of applicable exchange rules or abnormal changes.
 - (9) Serious difficulties in the operation of the borrower or its associated parties, or deterioration of the financial situation, or other events that have a negative impact on the operation, financial condition or solvency or economic condition of the borrower or its associated parties.
 - (10) Related party transactions occur, and the amount of the transaction reaches or exceeds 10% of the latest audited net assets.
 - (11) Prior to the discharge of all debts under this contract, the borrower becomes or may become a shareholder of the guarantor or an "actual controller" as defined in the Company Law.
 - (12) Any of the following situations occur during the construction of the loan project: the progress is not carried out as planned and there is a delay; there is a quality problem; and the total investment amount is more than that planned.
 - (13) Any of the following situations occur in the operation of the loan project: the operation does not reach the expected benefit target, the cash flow of the project operation does not meet the requirements of the project evaluation report, and there are anomalies in the production, operation and sales of the project.
 - (14) Negative changes have taken place in the main economic and technical indicators of loan projects.
 - (15) Liability accidents caused by borrowers or their associated parties due to violations of legal provisions, regulatory regulations, national policies or industry standards, etc., or exposure by the media.
-

- (16) A safety or environmental accident occurred by the borrower or its associated party.
- (17) The control and controlled relationship between the borrower's related party and the borrower has changed.
- (18) Significant equity change on the borrower or its related party.
- (19) The audit opinion issued by the borrower's external auditor on its financial statements is not a standard unqualified opinion.
- (20) The borrower is or may be investigated, punished or taken other similar measures by the competent authority for violating laws and regulations and / or regulatory requirements.
- (21) The borrower or its associated parties are included in the sanctions list of the United Nations, the European Union or the United States, or their countries and regions are included in the sanctions list of the United Nations, the European Union or the United States.
- (22) Other major adverse events that affect the solvency of the borrower or its associated parties.

▲ ▲ 7.7 In the event of a change in the guarantee under this contract that is not conducive to the creditor's rights of the lender, the borrower shall provide other guarantees approved by the lender in a timely manner as required by the lender.

The term "change" in this paragraph includes, but is not limited to, the guarantor's merger, division, suspension, closure, dissolution, closure and rectification, revocation, revocation of business license, application for or bankruptcy; significant changes in the operating or financial position of the guarantor; guarantors involved in major litigation, arbitration, administrative measures, or property preservation or other coercive measures taken of major assets. The safety and integrity of the guaranty is or may be affected; the value of the guaranty is reduced or may be reduced or property preservation is taken; the guarantor or his legal representative (responsible person) or the main management personnel are involved in violating the rules of the exchange or violating the applicable rules of the exchange; if the guarantor is an individual, the guarantor is missing or dead (declared dead); the guarantor is in breach of contract under the guarantee contract. There is a dispute between the guarantor and the borrower; the guarantor requests to terminate the guarantee contract; the guarantee contract is not effective or invalid or revoked; the security real right is not established or invalid; or other events that affect the security of the lender's creditor's rights.

▲ ▲ 7.8 The borrower undertakes that the borrower's financial indicators, external agency rating and production and operation qualification / license will always comply with the contract stipulation from the date of signing of this contract to the completion of the repayment of all principal and interest and related fees under this contract. If the production and operation qualification / license needs an annual review, it shall pass the annual review on time.

7.9 Borrowers guarantee to abide by the requirements of national anti-money laundering laws, regulations and relevant policies, and not to engage in activities involving money laundering and terrorist financing, actively cooperate with lenders in anti-money laundering work such as customer identification, transaction record keeping, large and suspicious transaction reports, etc.

7.10 The borrower warrants that the borrower and its employees and agents shall not provide, give, solicit or accept any form of material benefits (including, but not limited to, cash, physical cards, travel, etc.) or other non-material benefits to the lender or the lender's employees in any form other than those stipulated in this contract, and shall not use the funds or services provided by the lender in any form directly or indirectly for activities related to corruption or bribery. If the borrower is aware of any violation of this Article, it shall provide the lender with clues and relevant information truthfully, completely and accurately, and cooperate with the relevant matters in accordance with the requirements of the lender.

▲▲ 7.11 Prior to the full repayment of the principal and interest of the loan, the borrower undertakes that the loan project will always meet the following requirements:

- (1) The progress of the project does not lag behind the progress of the use of funds.
- (2) Other funds for construction projects shall be in full and on time, and shall be used in the same proportion as the loan funds.
- (3) The environmental protection facilities of the project should be designed, constructed and put into production at the same time as the main project;
- (4) The project conforms to the national regulations on energy conservation and emission reduction.
- (5) Pass the environmental assessment examination and approval of project in time after the completion of the project.

Article 8 Insurance

8.1 The borrower shall take out commercial insurance for the fixed assets project, and the lender shall be the first beneficiary of the commercial insurance insured by the project. After the insurance formalities have been completed, the borrower shall deliver the original policy to the lender for safekeeping.

8.2 During the validity of this contract, the borrower shall pay all premiums on time and perform such other obligations as are necessary to maintain the effective existence of the insurance.

▲▲ 8.3 If the borrower fails to take out or renew the insurance, the lender shall have the right to take out or renew the insurance on his behalf, pay the premium or take other insurance maintenance measures on his behalf. The borrower shall provide the necessary assistance and bear the insurance fees and related expenses incurred by the lender.

▲▲ Article 9 early maturity and risk repricing of loans.

9.1 Any of the following circumstances shall be regarded as an "early expiration event" of this contract:

- (1) Where the borrower fails to repay the principal or interest of the loan as agreed in any of *Application for Limit Use* under this contract.
-

- (2) The statements and warranties made by the borrower under this contract are not true.
- (3) One of the matters listed in Article 7.6 that should be notified actually occurs and affects or may affect the safety of the lender's claims.
- (4) When performing other contracts with the lender or contracts with a third party, the borrower has committed a breach of contract or the debt may or has been declared to be due ahead of schedule.
- (5) Where the loan granted by the lender in accordance with this contract constitutes or may constitute a violation or violation due to changes in laws, regulations and regulatory policies.
- (6) The borrower violates other stipulations in this contract.

9.2 In the event of any "early maturity event", the lender has the right to take one, more or all of the following measures:

- (1) Stop issuing loans that have not yet been drawn by the borrower.
- (2) Stop making payments for loans that have been drawn by the borrower but have not yet been used.
- (3) The borrower is required to negotiate supplementary loan issuance and payment conditions with the lender within a limited time limit.
- (4) The borrower is required to change the method of payment and open a special loan issuance account according to the requirements of the lender.
- (5) Risk repricing of executed loans in accordance with Article 9.3.
- (6) Unilaterally declare that all the principal of the loans granted under the contract are due ahead of schedule and require the borrower to immediately repay the principal of all loans due and pay off the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract and the operation of the project, the interest rate agreed upon in this contract and its adjustment are determined by both parties through consultation. The borrower agrees that in the event of any "early maturity event", the lender has the right to reprice the risk of the loan as agreed in this Article.

9.3.1 Risk repricing includes negotiated repricing and direct increase of the loan interest rate. The risk repricing method adopted in this contract shall be agreed upon by both parties in Article 22.

9.3.2 "Negotiated repricing" means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within a limited time limit, and the parties shall determine the "repricing date" and the specific agreement of the relevant interest rate by way of a supplementary agreement.

9.3.3 "Direct increase of loan interest rate" means that the lender has the right to directly increase the loan interest rate in accordance with this Article and Article 22.

9.3.3.1 From the "repricing date" notified by the lender in writing, the increased loan interest rate shall be applied to the borrower's outstanding loans as of the "repricing date".

9.3.3.2 If the currency of the loan is RMB, the type of benchmark interest rate stipulated in the contract shall remain unchanged, and the raised loan interest rate shall be determined according to the upper (lower) floating range / plus (minus) point value agreed in Article 22 on the basis of the "repricing date" benchmark interest rate.

Taking the "repricing date" as the T-day, the benchmark interest rate used to determine the increased loan interest rate shall be determined in accordance with the following rules:

- ① If the benchmark interest rate is the loan benchmark interest rate of the People's Bank of China, the benchmark interest rate shall be the People's Bank of China loan benchmark interest rate applicable on T-day.
- ② If the benchmark interest rate is quoted by the LPR of the Bank of Communications, the benchmark interest rate value is the LPR value released on the latest working day before T. If the LPR is not released on the latest working day before T day, the benchmark interest rate value is the LPR value released on the latest working day before that date.
- ③ If the benchmark interest rate is the average interest rate quoted by LPR, the benchmark interest rate shall be the LPR value released on the latest working day before T. If the LPR has not been released on the latest working day before T date, the benchmark interest rate shall be the LPR value released on the latest working day before that date.

9.3.3.3 If the currency of the loan is foreign currency, the interest rate after the increase shall be determined in accordance with Article 22.

9.3.4 After the lender performs risk repricing in accordance with the aforementioned agreement, the new interest rate shall be implemented from the repricing date. On the basis of this interest rate, the floating adjustment shall still be made in accordance with Article 2 of this contract. If both parties agree to change the relevant agreement, it shall be carried out in accordance with the agreement after the change. If the loan is overdue (including the borrower's failure to repay the loan on time or declared to be due in advance by the lender) or misappropriated, the penalty interest rate for overdue and misappropriated interest shall be determined on the basis of the new interest rate (including the floating adjusted interest rate agreed in this contract), the interest rate for calculating compound interest shall also be adjusted accordingly.

9.3.5 The implementation of "risk repricing" shall not be regarded as or construed as a waiver by the lender of other rights stipulated in laws and regulations and agreed in this contract. The lender has the right to take other measures for the protection of creditor's rights in accordance with laws and regulations and this contract, including, but not limited to, the measures stipulated in Article 9.2.

▲ ▲ Article 10 Breach of Contract

10.1 If the borrower fails to repay the principal of the loan on time and in full, pays interest or fails to use the loan for the purpose agreed in this contract, the lender shall charge interest at the penalty interest rate of the overdue loan or the penalty interest rate of misappropriation of the loan, and shall charge compound interest on the unpaid interest payable, if the penalty interest rate is adjusted in accordance with the contract, the interest rate for calculating compound interest shall be adjusted accordingly.

10.2 If the borrower fails to repay the principal and interest of the loan in full and on time, it shall bear the reminder fees, litigation fees (or arbitration fees), preservation fees, announcement fees, execution fees, legal fees, travel expenses and other expenses paid by the lender in order to realize the creditor's rights.

▲ ▲ Article 11 Deduction Agreement

11.1 Borrower's authorization: When there are principal, interest, penalty, compound interest or other fees due and payable, the lender shall have the right to deduct the funds from any account opened by the borrower with all branches of Bank of Communications Co., Ltd for settlement.

11.2 After deduction, the lender shall notify the borrower of the account number involved in the deduction, the contract number, the "Application for Limit Use" number, the amount of deduction and the remaining amount of debt.

11.3 If the deduction is insufficient to pay off all the borrower's debts, the debt offset shall be determined in accordance with this contract.

11.4 If the deduction is inconsistent with the currency of the debt to be offset, it shall be converted into the amount of debt satisfaction according to the exchange rate announced by Bank of Communications Co., Ltd at the time of deduction. If it is necessary to go through the formalities of settlement and sale of foreign exchange or foreign exchange, the borrower shall have the obligation to assist the lender as required by the lender, and the exchange rate risk shall be borne by the borrower.

Article 12 Notification

12.1 The contact information (including mailing address, contact telephone number, fax number, etc.) filled in by the borrower in this contract is true and valid. If any contact information is changed, the borrower shall immediately send / send the change information in writing to the lender's mailing address in this contract. Such changes will take effect upon receipt of the change notice by the lender.

12.2 Unless otherwise expressly stipulated in this contract, the lender shall have the right to give any notice to the borrower by any of the following means. The lender shall have the right to choose the manner of notification as it deems appropriate and shall not be liable for transmission errors, omissions or delays in mail, fax, telephone or any other communication system. Where the lender chooses multiple forms of notification at the same time, the faster of which reaches the borrower shall prevail.

- (1) A public notice shall be deemed to be the date on which the lender publishes the announcement on its website, online banking, telephone bank or business outlet.
 - (2) Personal service shall be regarded as the date of service on the date of signature of the borrower.
 - (3) Delivery by post (including EMS, plain mail and registered mail) to the borrower's most recent known mailing address shall be deemed to be the date of delivery on the 3rd (same city) / 5th (remote place) after the date of posting.
-

(4) Fax, mobile phone text messages or other electronic means of communication shall be served on the borrower's fax number recently known to the lender, the mobile phone number designated by the borrower or the e-mail address, and the date of delivery shall be deemed to be the date of service.

12.3 The borrower agrees that unless the lender receives written notice from the borrower of the change of correspondence address, the correspondence address given by the borrower in this contract is the address at which the court served judicial documents and other written documents on the borrower. In the process of dispute settlement of this contract, where the court sends judicial documents or other written documents by post (including express mail, ordinary mail, registered mail) to the borrower's most recent known correspondence address of the borrower, the date on which the borrower signs and receives the certificate of service shall be the date of service; if the borrower fails to sign it on the certificate of service, the date of delivery shall be deemed to be the 3rd (same city) / 5th (different place) after the date of mailing.

In addition to judgments, orders and conciliation statements, the court shall have the right to give any notice to the borrower through any of the means of communication stipulated in Article 12.2. The court shall have the right to choose such mode of communication as it thinks fit without liability for transmission errors, omissions or delays in mail, facsimile, telephone, telex or any other communication system. If the court chooses multiple means of communication at the same time, the faster of which reaches the borrower shall prevail.

▲ ▲ Article 13 Disclosure and Confidentiality of Information

13.1 With regard to the undisclosed information and materials of the borrower obtained and known during the signing and performance of this contract, the use of the relevant information and materials by the lender shall not violate laws, regulations and regulatory requirements, and shall bear the responsibility of confidentiality in accordance with the law, such information and materials shall not be disclosed to third parties, except in the following cases:

- (1) Where disclosure is required by applicable laws and regulations;
- (2) Where disclosure is required by the judiciary or regulatory body according to law.
- (3) If the borrower fails to repay the principal and / or interest of the loan in full and on time, the lender shall disclose to the external professional adviser of the lender and allow the external professional adviser of the lender to use it on a confidential basis in order to realize the claim under this contract.
- (4) The borrower consents or authorizes the lender to make disclosure.

13.2 The borrower confirms that he has signed the Credit Information Enquiry and Provision of Authorization. The lender shall inquire, use and keep the credit information of the borrower within the scope specified in the power of attorney.

13.3 Except in the circumstances specified in Article 13.1 and 13.2 of this contract, the borrower further agrees that Bank of Communications Co., Ltd. may use or disclose the borrower's information and materials under the following circumstances, including, but not limited to, basic information, credit transaction information, adverse information and other relevant information and materials, etc., and is willing to bear all consequences arising therefrom:

Disclose and allow them to use such information and materials on a confidential basis to outsourcing agencies, third-party service providers, other financial institutions and such other institutions or individuals as the lender deems necessary for the following purposes, including but not limited to other branches of Bank of Communications Co., Ltd., or subsidiaries wholly or partly owned by Bank of Communications Co., Ltd.: ① In order to carry out bank credit business or related to bank credit business such as promoting the credit business of Bank of Communications Co., Ltd., collecting arrears of borrowers, transferring bank credit business claims, and so on. ② Provide or may provide new products or services or further services to the borrower.

Whether this Article 13.3 is applicable or not shall be subject to the agreement of both parties in Article 25 of this contract.

Article 14 Application of the Law and Settlement of Disputes

This contract shall be subject to the laws of the People's Republic of China (excluding the laws of Hong Kong, Macao and Taiwan for the purposes of this contract). The dispute under the contract shall be brought before the court with jurisdiction in the place where the lender is located, unless otherwise stipulated in this contract. During the period of dispute, the parties shall continue to implement the undisputed provisions.

Article 15 Entry into Force and Composition of Contract

▲▲ 15.1 The *Application for Limit Use*, the *Power of Attorney for Payment* and the relevant documents and materials confirmed by both parties under this contract are an integral part of this contract.

15.2 This contract shall enter into force after being signed (or sealed) by the legal representative (responsible person) or authorized representative of the borrower and affixed with the official seal, signed (or sealed) by the person in charge of the lender or authorized representative and sealed by the unit.

15.3 The *Application for Limit Use* is a supplement to this contract. Unless otherwise stipulated in *Application for Limit Use*, the rights, obligations and related matters between the borrower and the lender shall be carried out in accordance with the provisions of this contract.

Article 16 Specific Contents of Loan

16.1 The currency of the loan: RMB, amount (in uppercase): RMB 80 million.

16.2 The loan under this contract is limited to the construction of the whole PPP project of domestic garbage and sewage treatment infrastructure at villages and towns of Wujiang District.

16.3 Term of the loan: from September 30, 2019 to December 21, 2038.

16.4 The first withdrawal date shall be no later than August 14, 2020.

The final withdrawal date of all loan funds under this contract shall be no later than December 21, 2038.

Article 17 Interest Rate Agreement

If the currency of the loan is foreign currency, the relevant agreements on the determination of the interest rate, the adjustment and overdue of the interest rate and the penalty interest rate for misappropriation of the loan are as follows: /.

Article 18 Account Agreement

18.1 The borrower designates the following account as the lending account, which is a special loan issuance account opened by the borrower with the lender. If the parties agree otherwise in the corresponding Application for Limit Use, the agreement in Application for Limit Use shall prevail.

Household name: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Account number: [*]

Account with Bank: [*]

18.2 Where a special loan account is opened, the borrower shall designate the following account as the loan repayment settlement account, which shall be used for the accounting and processing of loan repayment and loan fund transfer fees.

Household name: Shaoguan Angrui Environmental Technology Development Co., Ltd

Account number: [*]

Account with Bank: [*]

18.3 The borrower shall open a special repayment reserve account with the lender.

Household name: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Account number: [*]

Account with Bank: [*]

18.4 The borrower undertakes not to change or cancel the special repayment reserve account without the written consent of the lender before repaying all the principal and interest of the loan and complies with the following agreements:

 % of the income and cash flow of fixed asset investment projects must be entered into the account.

 % of the income cash flow of the borrower must be entered into the account.

The average daily stock of funds in the account is not less than /.

 /

18.5 The borrower shall open or not open a special project income account with the lender, all project income shall be enter the account before the full loan principal and interest is repaid, and all settlement business related to the project shall be handled in Bank of Communications Co., Ltd.

Household name: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Account number: [*]

Account with Bank: [*]

The terms and methods of external payment of the account are as follows: / .

Article 19 Specific Agreements on Issuance, Payment and Repayment of Loans

19.1 For each subsequent withdrawal, the borrower shall not only comply with Article 3.3, but also meet the following conditions, otherwise the lender has the right to refuse to lend: / .

19.2 Before each withdrawal, the borrower must go through the relevant withdrawal procedures at least 10 bank working days in advance.

19.3 The limit of independent payment under this contract shall be RMB / (10,000) (determined according to the lower of 5% of the total investment amount of the project, RMB 5 million or other amounts required by the lender).

19.4 If one of the following conditions is met, the lender shall be entrusted with payment:

Entrusted payment

19.5 If the borrower pays independently, the borrower shall report the payment of the loan funds to the lender within / days after the loan is issued.

19.6 If the borrower agrees to repay the loan ahead of time, the lender shall have the right to collect the loan prepayment penalty from the borrower according to the following standards, so as to make up for the interest loss from the lender's advance repayment date to the original maturity date: / .

Article 20 Financial Restrictions, Ratings of External Agencies and Production and Operation Qualifications / Permits

20.1 The borrower's outbound investment exceeds RMB / 10,000 yuan or increases debt financing by more than RMB / 10,000 yuan.

20.2 Contractual agreement on the borrower's financial indicators:

(1) /

(2) /

(3) /

20.3 Specific agreements on external agency ratings:

(1) /

(2) /

20.4 Specific agreement on the production and operation qualification / license of the borrower:

(1) /

(2) /

Article 21 Conditions of the Joint Visa Bill

The lender has the right to require the borrower, independent intermediary and contractor to issue a joint visa in accordance with the following conditions: / .

▲ ▲ Article 22 Specific Agreement on Risk Repricing

22.1 The risk repricing methods are adopted in this contract based on (1): (1) Negotiated repricing; (2) Direct increase of the loan interest rate.

22.2 If the method of "direct increase of the loan interest rate" is used:

22.2.1 If the currency of the loan is RMB, the floating range / plus (minus) point value of the increased interest rate shall be as follows: The benchmark interest rate (no up and down floating /plus or minus point) Up floating / % Down floating / % Plus / % Minus / %. If there is another agreement on a loan, the floating rate / plus (minus) value of the interest rate after the increase of the loan shall be subject to the records in the applicable Application for Limit Use.

22.2.2 If the currency of the loan is foreign currency, the interest rate after the increase is: .

Article 23 Contact Information

The contact information for the borrower to receive the notice agreed in Article 12 includes:

Mailing address: Room 317, F3, Lingjiao Enterprise Office Building, Huanggangling, Chongxia Management District, Longgui Town, Wujiang District, Shaoguan City.

Addressed to: Li Jingquan

Zip code: 512000

Phone: /

Mobile phone number: [*]

Fax: /

Email address: [*]

Article 24 Number of Contract Shares

The original of this contract is in 8 copies, and both parties and guarantor (if any) each hold one copy.

Article 25 Other Agreed Matters

25.1 Both parties agree that Article 13.3 shall apply to this contract.

25.2 The borrower shall annually provide normative documents for incorporating funds paid by the government under the whole PPP project of domestic garbage and sewage treatment infrastructure at villages and towns of Wujiang District into the fiscal budget approved by the National People's Congress for that year, no later than 10 working days after the government payments are included in the budget. If the funds paid by the government are not included in the current year's budget, the borrower shall be deemed to have breached the contract, and the lender shall have the right to declare the loan maturing ahead of schedule.

25.3 The lender is the first beneficiary of the termination compensation of the PPP project packaged in the whole area of domestic garbage and sewage treatment infrastructure at villages and towns of Wujiang District.

25.4 Without the written consent of the lender, the borrower shall not raise funds from a third party in the name of the whole packaged PPP project of municipal solid waste and sewage treatment infrastructure in villages and towns of Wujiang District, and shall not provide guarantees for third parties with the assets formed by the project.

Borrower: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Legal representative (person in charge): Ma Xiongbing

Legal address: Room 317, F3, Lingjiao Enterprise Office Building, Huanggangling, Chongxia Management District, Longgui Town, Wujiang District, Shaoguan City.

Lender: Bank of Communications Co., Ltd. Shaoguan Branch (Branch)

Responsible person: Gao Yan

Address: Gongye Zhong Road No. 27, Wujiang District, Shaoguan City.

The borrower has read through all the terms of the contract, and the lender has made a detailed explanation at the request of the borrower. When signing this contract, the borrower has no doubt or objection to all the contents, and understands the meaning of the terms of the contract, especially the clause marked with ▲▲ and its legal consequences.

Borrower (official seal) Shaoguan Angrui Environmental Technology Development Co., Ltd. Legal representative (responsible person) or authorized representative (Signature or seal) /s/ MA Xiongbing Date of signature: August 29, 2019	Lender (unit seal) Special Seal for Credit Business Contract of Shaoguan Branch of Bank of Communications Company Limited Responsible person or authorized representative (Signature or seal) /s/ GAO Yan Date of signature: August 29, 2019
---	---

Guarantee Contract

Bank of Communications Co., LTD

Guarantee Contract

Important Note:

Please read the full text of this contract carefully, especially with ▲. For terms marked ▲, if there is any doubt, please ask the creditor to explain in time.

In order to ensure the satisfaction of all creditor's claims under the principal contract signed or to be signed between the debtor and the creditor, the guarantor is willing to provide the guarantee stipulated in this contract.

In order to clarify the rights and obligations of both parties, the guarantor and the creditor have entered into this contract through negotiation and consensus.

Article 1 Principal Creditor's Rights

1.1 The principal creditor's rights guaranteed by the guarantor are all the principal creditor's rights under the principal contract (if there are multiple principal contracts, all the principal contracts, the same below), including all kinds of loans, overdrafts, discounts and loans issued by the creditor to the debtor according to the principal contract or various types of trade financing (including but not limited to import documentary financing, import collection financing, import remittance financing, export documentary financing, export collection financing, export invoice financing, export order financing, package loan, domestic letter of credit documentary financing, domestic letter of credit negotiation, domestic factoring financing, import factoring financing, etc), and/or creditor's claims (including contingent claims) against the debtor arising from the issuance of banker's acceptance drafts, letters of credit or guarantees (including stand-by letters of credit, likewise hereinafter) and creditor's claims (including contingent claims) against the debtor arising from the credit facilities of other banks.

The bank credit business stipulated in this contract means that the bank directly provides financial support to the customer, or guarantees the customer's compensation and payment responsibilities that may arise in the relevant economic activities, including but not limited to any one or more of the businesses listed above or businesses under other names.

▲ ▲ 1.2 The currency, amount, interest rate and debt performance period of any principal creditor's rights and other specific contents shall be signed by both the creditor and the debtor in the principal contract (including the application for quota use under the principal contract(Including the application for quota use under the principal contract and/or documents in other names signed by both the creditor and the debtor, the application for quota use and documents in other names are collectively referred to in this contract as "the application for quota use", the same below)

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) of this contract to provide the maximum amount of guarantee, whether the amount of the principal contract can be recycled, the purpose of the amount, each use The specific purpose of the credit limit and the credit period are specified by the creditor and the debtor in the principal contract. For the maximum amount of guarantee provided in accordance with Article 10.2(2) and 10.2(3), the principal creditor's rights occurring within the credit extension period agreed in the principal contract shall be guaranteed by this Contract; For the maximum amount of security provided in accordance with Articles 10.2 (4) and 10.2 (5), the principal creditor's rights arising during the period specified in Articles 10.2 (4) and 10.2 (5) shall be guaranteed by this Contract.

1.3 In accordance with articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) of this contract, if the guarantor provides the guarantee of maximum amount for the debtor, the following provisions shall apply.

The principal creditor's rights guaranteed under this contract shall be determined on the date of occurrence of the final principal creditor's right under all the principal contracts ("the date of determination of the principal creditor's rights"). If the creditor cancels the entire credit line according to the principal contract, the date on which the entire credit line is canceled shall be the date on which the principal creditor's right is determined.

The principal claims occurring on or before the date of determination of the principal creditor's rights and the interest (including compound interest, overdue and misappropriation penalty), liquidated damages, damages and the expenses for realizing the creditor's claims as agreed in Article 2.2 hereof shall be covered by the warranties of this contract.

The occurrence of a master creditor's right refers to the creditor issuing a loan, financing, overdraft or issuing a bank draft, letter of credit, guarantee or standby letter of credit.

▲ ▲ 1.4 Whether the actual amount of the creditor's rights under the principal contract is lower than or higher than the maximum amount of the creditor's rights agreed in this contract, it will not affect the guarantor's guaranty responsibility according to this contract.

Article 2 Guarantee Liability

2.1 The guarantee under this contract is a joint and several liability guarantee.

2.2 The scope of the guarantee is the principal and interest, compound interest, penalty interest, liquidated damages, damages and the cost of realizing the creditor's rights under the principal contract. Expenses for realizing claims include but are not limited to collection fees, litigation fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

2.3 The guarantee period shall be calculated separately according to the performance periods of each principal debt agreed in the principal contract (in the case of issuing bank acceptance draft/letter of credit/letter of guarantee, according to the date of advance payment by the creditor). The guarantee period under each principal debt shall be from the date of expiration of the performance period of such principal debt (or the date of advance payment by the creditor) to two years after the date of expiration of the performance period of the final principal debt due under the entire principal contract (or the date of advance payment by the creditor).

If creditor and debtor agree that the debtor can stage to perform the payment obligations, the guarantee period of the principal debt shall be calculated separately according to each repayment obligation, from the date of expiration of the performance period of each repayment obligation (or the date of advance payment by the creditor) to two years after the date of expiration of the performance period of the final principal debt due under the entire principal contract (or the date of advance payment by the creditor).

If the creditor announces that any principal debt is due early, the expiry date of the performance period of the principal debt shall be subject to the announced early maturity date.

▲▲ 2.4 If the guarantee is provided in accordance with Article 10.2 (1), the guarantor has carefully read the principal contract and confirmed all the terms.

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) to provide the maximum amount of guarantee, for the principal contract signed before the signing of this contract, the guarantor has read the master contract carefully and confirm all terms. For the principal contract to be signed after the signing of this contract, the guarantor agrees that the creditor and the debtor do not need to notify the guarantor or obtain the consent of the guarantor when signing the principal contract. The guarantor will contact the debtor to provide relevant documents.

▲▲ 2.5 If the guaranty is provided in accordance with Article 10, 2 (1), and the creditor and the debtor change the principal contract, the guarantor shall still bear joint and several liability for the guaranty. However, if the principal contract is changed without the written consent of the guarantor and the contract amount is increased, the interest rate is increased or the debt performance period is extended, the guarantor shall only assume the guarantee responsibility according to the amount, interest rate and period agreed in the original principal contract; However, on the premise that the principal contract has not been changed, if the creditor adjusts the interest rate (including raising the interest rate) or extends the debt performance period according to the agreement of the principal contract, the guarantor shall still bear all the guarantee responsibilities.

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5), the maximum amount of security is provided, and the creditor and debtor change the principal contract, including but not limited to To change the principal contract amount, credit period, debt performance period, interest rate and other terms, there is no need to notify the guarantor or obtain the consent of the guarantor, and the guarantor shall still bear the joint and several liability guarantee. However, for Article 10.2 (2) and 10.2 (3), if the principal contract amount is increased or the credit extension term is extended without the written consent of the guarantor, the guarantor shall only undertake the guarantee liability for the principal creditor's right occurring during the original credit extension term within the maximum amount agreed herein; For Articles 10.2(4) and 10.2 (5), no matter what changes occur in the principal contract, the guarantor shall have the maximum amount of claims stipulated in this contract for the principal creditor's rights that occurred during the period specified in Articles 10.2(4) and 10.2 (5) guarantee responsibility within.

▲▲ 2.6 The parties to this contract specifically agree as follows: the validity of this contract is independent of the principal contract, and the invalidity of the principal contract or its relevant clauses will not affect the validity of this contract. The guarantor shall be jointly and severally liable for the debtor's return liability and/or compensation liability after the principal contract is invalid.

▲▲ 2.7 The guarantee hereunder is a continuing guarantee, and any partial payment or discharge of all or part of the secured debt of the debtor shall not be regarded as the release of the guarantee liability of the guarantor hereunder, and the guarantor shall still be liable as agreed herein.

Article 3 Representations and Warranties of the Guarantor

3.1 The guarantor has the capacity for civil rights and full capacity for civil conduct (if the guarantor is a natural person)/ the guarantor is legally established and legally existing, and has all necessary capacity for rights (if the guarantor is a non-natural person), and can perform the obligations hereunder in its own name and bear civil liabilities.

3.2 The execution and performance of this Contract is the true intention of the Guarantor and is without any legal defect after all necessary consents, approvals and authorizations.

3.3 All documents, materials and information provided by the guarantor to the creditor in the process of signing and performing this contract are true, accurate, complete and valid.

▲▲ 3.4 The guarantor and its affiliates are not companies or individuals in the UN, EU or US sanctions list, and are not located in countries and regions sanctioned by the UN, EU or US.

Article 4 Obligations of the Guarantor

4.1 The guarantor hereby irrevocably and unconditionally guarantees to the creditor that in the event that the debtor fails to repay in full all or part of the loan, the financing loan or the advance payment or the corresponding interest paid by the creditor, the guarantor shall immediately pay to the creditor the entire amount due from the debtor.

The guarantor agrees that: if the principal contract is also subject to the guarantee, mortgage or pledge provided by the debtor or a third party, the creditor has the right to decide the exercise of the guarantee right, including but not limited to: The creditor shall have the right to demand that the guarantor immediately pay the entire amount due to the debtor without first exercising the security interest or asserting rights against other guarantors, and shall have the right to claim some or all of the guarantee rights against one or more guarantors, including the guarantor, in any particular order or at the same time; If the creditor waives or changes the guarantee rights to other guarantors, and waives or changes the order of rights of the guarantee interests, the guarantor still bears the guaranty responsibility according to this contract and does not exempt from any responsibility.

4.2 The guarantor shall cooperate with the creditor in the supervision and inspection of its income and credit status (if the guarantor is a natural person)/operation and financial status (if the guarantor is a non-natural person), and promptly provide the creditor with the financial statements and other requirements for post-loan risk management needs. materials and information, and ensure that the documents, materials and information provided are true, complete and accurate.

4.3 When the guarantor has any of the following matters, it shall notify the creditor in writing at least 30 days in advance, and before the creditor's rights under the principal contract are fully paid off, unless the creditor's written consent is obtained, the following actions shall not be taken:

- (1) Sell, gift, lease, lend, transfer, mortgage, pledge or otherwise dispose of important assets, all or a substantial portion of assets;
- (2) Significant changes in the operating system or the form of business ownership, including but not limited to the implementation of contracting, leasing, joint ventures, corporate restructuring, shareholding cooperative restructuring, corporate sales, mergers (mergers), joint ventures (cooperation), divisions, establishment of subsidiaries, transfer of property rights, capital reduction, etc.

4.4 The guarantor shall notify the creditor in writing within seven days from the date when the following events occur or may occur:

- (1) To amend the articles of association, change the enterprise's name, legal representative, residence, correspondence address, business scope and other industrial and commercial registration items, and make decisions that have major impact on finance and personnel;
- (2) Intends to file for bankruptcy or may or has been filed for bankruptcy by creditors;
- (3) It is involved in major litigation, arbitration or administrative measures, or its main assets are taken for property preservation or other compulsory measures;
- (4) Provide a guarantee for a third party that materially and adversely affects its economic condition, financial condition or ability to perform its obligations under this contract;
- (5) Sign contracts that have a significant impact on the operations and financial position;
- (6) Suspend production, close down, disband, suspend business for rectification, repeal or revoke business license;
- (7) The guarantor or its legal representative (responsible person) or principal management personnel is involved in any violation of laws or regulations or any violation of applicable exchange rules;
- (8) Serious business difficulties, deterioration of financial conditions, or other events that have a negative impact on the guarantor's business, financial conditions or solvency or economic conditions;
- (9) Major changes of the guarantor's job or income or change of domicile or other contact information (if the guarantor is a natural person);
- (10) The guarantor has serious safety or environmental accident;
- (11) The guarantor has a significant change of equity;
- (12) The guarantor's external auditor's audit opinion on its financial statements is not a standard unqualified opinion;
- (13) The guarantor is or may be investigated, punished or take other similar measures by the competent authority for violating laws and regulations and/or regulatory requirements;

(14) The sponsor or its affiliates is included in the UN, EU or US sanctions list, or its country and region is included in the UN, EU or US sanctions list of countries and regions.

4.5 The Guarantor hereby irrevocably and unconditionally agrees that the Guarantor shall not exercise any right or claim against the Debtor or other Guarantor that may prejudice the interests of the Creditor until the Guarantee Obligation has been fully paid(Including but not limited to the guarantor's right to claim compensation from the debtor or other guarantors due to the performance of this contract).If the Guarantor's exercise of any such right or claim in breach of this section results in receipt of any sums from the debtor, the Guarantor shall promptly pay such sums to the Creditor upon receipt.

4.6 Before the debtor fully repays all the debts under the principal contract, if the debtor becomes a shareholder of the guarantor or its actual controller, the guarantor will immediately notify the creditor and provide a resolution of the shareholders meeting (shareholders' meeting) on agreeing to provide the guarantee.

4.7 The guarantor guarantees to comply with national anti-money laundering laws, regulations and relevant policies, not engage in activities involving money laundering and terrorist financing, and actively cooperate with creditors to carry out anti-money laundering work such as customer identification, transaction record preservation, large and suspicious transaction report.

4.8 The guarantor guarantees that the guarantor, its employees and agents will not provide, give, solicit or accept material benefits (including but not limited to cash, physical cards, travel, etc.) or other non-material benefits in any form other than those agreed herein to the creditor or the creditor's employees; Do not use the funds or services provided by creditors in any form, directly or indirectly, for activities related to corruption or bribery; if the guarantor is aware of any violation of this agreement, it shall promptly, truthfully, completely and accurately provide clues and relevant information to creditors. information, and cooperate with relevant matters in accordance with the requirements of creditors.

▲▲ Article 5 Deduction Agreement

5.1 With the authorization of the guarantor, when the debtor or the guarantor has debts due and payable, the creditor has the right to deduct the funds in any account opened by the guarantor in all branches of Bank of Communications Co., Ltd. for repayment.

5.2 After the deduction, the creditor shall notify the guarantor of the account number involved in the deduction, the principal contract number, the application number for the use of the quota, the contract number, the deduction amount, and the debt balance.

5.3 When the guarantor's repayment of debts (including the guarantor's active repayment and the creditor's deduction of the proceeds in accordance with this contract) cannot fully pay off all the guarantor's debts:

(1) Should first be used to settle the unpaid expenses due. If the principal and interest of the due debt are less than 90 days overdue, the balance after paying off the expenses will be used to cover the unpaid interest or penalty interest and compound interest, and then used to cover the unpaid principal; If the principal or interest of the due debt is overdue for 90 days or more, the balance after offsetting the expenses shall be used to offset the unpaid principal, and then used to offset the unpaid interest or penalty interest and compound interest;

(2) Under the business of issuing bank acceptance draft, letter of credit, letter of guarantee, export factoring and so on, the balance after compensating expenses shall first be used to compensate the principal unpaid at maturity, and then be used to compensate the interest or penalty interest and compound interest unpaid at maturity;

(3) If the guarantor has multiple debts (including debts owed by the guarantor to the creditor under other contracts), the creditor has the right to decide the sequence of payment and offset of each debt of the guarantor on its own, as long as the sequence of payment and offset does not violate the mandatory provisions of laws, regulations and relevant regulatory requirements applicable to the creditor. The creditor shall notify the guarantor of the result of paying off the debt. Unless otherwise agreed by both parties on the matters in this paragraph.

(4) Under personal loans, the order of debt repayment is as stipulated in the principal contract.

5.4 If the deduction proceeds are not in the same currency as the debt to be repaid, the amount of debt repayment shall be converted at the exchange rate announced by Bank of Communications Co., Ltd. at the time of deduction. If it is necessary to go through the formalities of foreign exchange settlement, sale or exchange, the guarantor shall be obliged to assist the debtor in doing so as required by the creditor.

Article 6 Notification

6.1 The contact information (including mailing address, telephone number, fax number, etc.) filled in by the guarantor in this contract are all true and valid. If any contact information is changed, the guarantor shall immediately send/send the changed information in writing to the correspondence address filled in by the creditor in this contract. Such information changes will take effect after the creditor receives notice of the changes.

6.2 Unless otherwise expressly agreed herein, the creditor shall have the right to give any notice to the guarantor in any of the following ways. The creditor shall have the right to choose the method of notification it sees fit and shall not be liable for any errors, omissions or delays in transmission by post, facsimile, telephone or any other communication system. If the creditor chooses multiple notification methods at the same time, the one that reaches the guarantor sooner shall prevail.

(1) Announcement, the date when the creditor publishes the announcement on its website, online banking, telephone banking or business outlet is deemed to be the date of delivery;

(2) If it is delivered by hand, the date of receipt by the guarantor shall be regarded as the date of delivery;

(3) By post (including express mail, ordinary mail and registered mail) to the last known mailing address of the guarantor by the creditor, 3 days after the date of Posting (same city)/5 days (in different cities) shall be deemed as the date of delivery.

(4) Fax, mobile phone text message or other electronic communication means served on the guarantor's fax number, mobile phone number or email address specified by the guarantor as recently as known to the creditor, and the date of delivery shall be deemed the date of delivery.

6.3 The guarantor agrees that, unless the creditor receives a written notice from the guarantor about changing the correspondence address, the correspondence address filled in by the guarantor in this contract is the address at which the court will serve judicial documents and other written documents on the guarantor. During the dispute resolution process of this contract, if the court delivers judicial documents or other written documents by post (including express mail, ordinary mail, registered mail) to the guarantor's mailing address as recently known to the creditor, the guarantor will be notified on the receipt of delivery. The date of receipt is the date of delivery; If the guarantor does not sign on the receipt of delivery, the 3rd day (in the same city)/5th (different place) after the mailing date will be regarded as the delivery date.

Except for judgments, rulings, and mediations, the court has the right to make any notification to the guarantor through any of the communication methods stipulated in Article 6.2. The court shall have the right to choose such means of communication as it sees fit and shall not be liable for errors, omissions or delays in transmission by post, facsimile, telephone, telex or any other communication system. If the court chooses multiple communication methods at the same time, the one that reaches the guarantor sooner shall prevail.

▲▲ Article 7 Information Disclosure and Confidentiality

7.1 The creditor shall not violate laws, regulations and regulatory requirements with respect to the use of the guarantor's undisclosed information and materials obtained and known during the signing and performance of this contract, and shall bear the responsibility of confidentiality according to law and shall not disclose such information and materials to any third party, except for the following circumstances:

(1) Disclosure required by applicable laws and regulations;

(2) Where the judicial department or regulatory agency is required to disclose according to law;

(3) The guarantor fails to assume the guaranty responsibility as agreed, and the creditor needs to disclose to the creditor's external professional adviser and allow the creditor's external professional adviser to use on the basis of confidentiality in order to realize the creditor's rights under this contract.

(4) Where the guarantor otherwise agrees or authorizes the lender to make the disclosure.

7.2 The guarantor confirms that he has signed the "Letter of Authorization for Credit Information Inquiry and Provision". The creditor inquires, uses and saves the credit information of the guarantor within the scope specified in the power of attorney.

7.3 In addition to the situations stipulated in Articles 7.1 and 7.2 of this contract, the guarantor further agrees that Bank of Communications Co., Ltd. may use or disclose the information and materials of the guarantor in the following circumstances, including but not limited to the basic information of the guarantor, information, credit transaction information, bad information and other related information and materials, etc., and are willing to bear all the consequences arising therefrom:

For the following purposes, to business outsourcing agencies, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by creditors, including but not limited to other branches of Bank of Communications Co., Ltd., or Bank of Communications Co., Ltd. in whole or in part Owned Subsidiaries, disclose and permit them to use such information and materials on a confidential basis: ① In order to carry out bank credit business or related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the guarantor's arrears, transferring the creditor's rights of the bank credit business, etc.; ② Provide or may provide new products or services or provide further services for the creditor to the guarantor.

Whether this Article 7.3 is applicable shall be subject to the agreement between the two parties in Article 12.1 of this contract.

Article 8 Dispute Resolution

This contract is governed by the laws of the People's Republic of China (excluding the laws of Hong Kong, Macau and Taiwan for the purpose of this contract). Disputes under this contract shall be brought to the court with jurisdiction where the creditor is located, unless it is otherwise stipulated in the "Other Agreed Matters" clause of this contract. During the dispute, the parties shall continue to perform the terms not involved in the dispute.

Article 9 Effective Terms

This contract will take effect from the date when all the following conditions are met: (1) The legal representative (person in charge) or authorized representative of the guarantor signs (or seals) and affixes the official seal; if the guarantor is a natural person, the guarantor signs; (2) The creditor is responsible for Signed (or stamped) by the person or authorized representative and stamped with the unit's seal.

Article 10 The Principal Contract of the Guarantee

10.1 The guaranteed debtor is: Shaoguan Angrui Environmental Technology Development Co., Ltd.

10.2 The guarantee provided in this contract shall be governed by the following clause (1):

(1) Guarantee. Guaranteed principal contract number: Yuejiao Yinshao 2019 Fixed Asset Loan No. 002 Name: Fixed Assets Loan Contract;

(2) Guarantee under the debt ceiling. Guaranteed principal contract number: /_____/ Name: /_____/; The maximum amount of debt guaranteed by the guarantor is (currency) : /_____/ (capitalized amount: /_____/);

(3) Guarantee under the debt ceiling. Guaranteed principal contract number: /_____/ Name: /_____/; The maximum amount of debt guaranteed by the guarantor shall be the sum of the following two amounts: ① Guaranteed maximum principal balance of principal creditor's rights (currency): /_____/ (capitalized amount): /_____/, The term "guaranteed maximum principal balance of principal creditor's rights" as mentioned in this paragraph refers to the maximum principal balance of principal creditor's rights (including contingent creditor's rights) guaranteed by the guarantor under the principal contract, ② The aforesaid principal creditor's rights continue until the guarantor assumes responsibility for the interest (including compound interest, overdue and misappropriation penalty interest), liquidated damages, damages and the cost of the creditor's realization of the creditor's rights stipulated in Article 2.2 of this contract.

Principal balance means the sum of either or both of the following:

i. Sum of various types of loans, overdrafts, discounts and/or principals of various types of trade financing issued by the creditor under the principal contract and outstanding by the debtor;

ii. The sum of the amount of bank acceptance bills, letters of credit or letters of guarantee issued by the creditor under the principal contract and still valid, and the sum of the amount advanced by the creditor under the aforesaid bank credit business but not paid by the debtor.

(4) Guaranty of maximum amount. The guarantor provides the highest guarantee for all the principal contracts signed between the creditor and the debtor from /_____(Year)/_____(Month) /_____(Day) to ____/_____(Year)/_____(Month) ____/_____(Day). All principal contracts signed during the period provide the highest guarantee, and the maximum amount of creditor's rights guaranteed by the guarantor is (currency and capitalized amount) : ____/____.

The term “principal contract” as mentioned in the preceding paragraph refers to: all credit business contracts signed by the creditor and the debtor all credit business contracts signed for ___/___.

(5) Guaranty of maximum amount. The guarantor provides the maximum guarantee for all the principal contracts signed between the creditor and the debtor during the period from ___/___ year ___/___ month ___/___ day to ___/___ year ___/___ month ___/___ day, and the maximum amount of creditor’s rights guaranteed by the guarantor is the sum of the following two amounts: ① The maximum amount of the principal balance of the principal creditor's rights guaranteed (currency and capitalized amount): /_____, the term "the maximum amount of the principal balance of the principal creditor's rights guaranteed" in this subsection refers to the principal creditor's rights (including the contingent claims) guaranteed by the guarantor under the principal contract claims) the maximum amount of the principal balance, ② The aforesaid principal creditor’s rights continue until the guarantor assumes responsibility for the interest (including compound interest, overdue and misappropriation penalty interest), liquidated damages, damages and the cost of the creditor's realization of the creditor's rights stipulated in Article 2.2 of this contract.

The “principal contract” mentioned in the preceding paragraph refers to: all the credit extension business contracts signed by the creditor and the debtor all the credit extension business contracts signed for ___/___.

Principal balance means the sum of either or both of the following:

i. The sum of the principals of various types of loans, overdrafts, discounts and/or various trade financing funds issued by the creditor under the principal contract and outstanding by the debtor;

ii. The sum of the amount of bank acceptance bills, letters of credit or letters of guarantee issued by the creditor under the principal contract and still valid, and the sum of the amount advanced by the creditor under the aforesaid bank credit business but not paid by the debtor.

Article 11 Contact Information

The contact details for the guarantor to receive notices under Article 6 include:

Mailing address: Room 01-A, 79th Floor, Ping An Finance Center, No. 5033, Yitian Road, Futian District, Shenzhen

Recipient: Fu Jianguan

Zip code: 518000

Tel: [*]; Cell phone: [*]

Fax: [*]; E-mail: [*]

Article 12 Other Agreed Matters

12.1 Both parties agree, in this contract Clause 7.3 applies does not apply.

12.2 Both parties agree that the jurisdictional court for disputes stipulated in Article 8 of this contract shall be revised from “the court with jurisdiction at the location of the creditor” to: /_____

Article 13 Copies of Contracts

This contract is in four original copies, each party holds one copy.

Guarantor: Feishang Enterprise Group Co., Ltd.

Legal representative (person in charge): Li Feilie

Certificate Type: Business License

Certificate Code: 91440300723015310J

Legal (household registration) address: 01-A, 79th Floor, Ping An Finance Center, No. 5033, Yitian Road, Futian District, Shenzhen

Creditor: Bank of Communications Co., Ltd. _Shaoguan_ Branch

Person in charge: Gao Yan

Mailing address: No. 27, Industrial Middle Road, Wujiang District, Shaoguan City_____

The guarantor has read all the terms of the contract thoroughly, the creditor has made a detailed explanation at the request of the guarantor, the guarantor has no doubts and objections to all the contents when signing this contract, and understands the terms of the contract, especially the meaning and legal consequences of the terms marked with ▲▲.

(No text below this page)

<p>Guarantor (official seal/signature)</p> <p>Feishang Enterprise Group Co., Ltd.</p> <p>Legal representative (responsible person) or authorized representative (signature or seal)</p> <p>/s/ LI Feilie</p> <p>Date of signature: August 29, 2019</p>	<p>Creditor (unit seal)</p> <p>Special Seal for Credit Business Contract of Shaoguan Branch of Bank of Communications Company Limited</p> <p>Responsible person or authorized representative (signature or seal)</p> <p>/s/ GAO Yan</p> <p>Date of signature: August 29, 2019</p>
--	---

Co-Owner Statement Terms (Applicable when the guarantor is a natural person) :

I (Name: /_____ Type of Identification: /_____ Identification No.: /_____) is the spouses of the guarantor. I have carefully read and confirmed all terms of this contract, understand and agree that the guarantor provides a guarantee to the creditor for the debtor, and the debts under such guarantee shall be the joint debts of the couple and shall be paid out of the joint assets of us.

Co-Owner signature:

No.: Yue Jiaoyin Shao Gong 2019 Baozi No. 034

Guarantee Contract

Bank of Communications Co., LTD

No.: Yue Jiaoyin Shao Gong 2019 Baozi No. 034

Guarantee Contract

Important Note:

Please read the full text of this contract carefully, especially with ▲. For terms marked ▲, if there is any doubt, please ask the creditor to explain in time.

In order to ensure the satisfaction of all creditor's claims under the principal contract signed or to be signed between the debtor and the creditor, the guarantor is willing to provide the guarantee stipulated in this contract.

In order to clarify the rights and obligations of both parties, the guarantor and the creditor have entered into this contract through negotiation and consensus.

Article 1 Principal Creditor's Rights

1.1 The principal creditor's rights guaranteed by the guarantor are all the principal creditor's rights under the principal contract (if there are multiple principal contracts, all the principal contracts, the same below), including all kinds of loans, overdrafts, discounts and loans issued by the creditor to the debtor according to the principal contract or various types of trade financing (including but not limited to import documentary financing, import collection financing, import remittance financing, export documentary financing, export collection financing, export invoice financing, export order financing, package loan, domestic letter of credit documentary financing, domestic letter of credit negotiation, domestic factoring financing, import factoring financing, etc), and/or creditor's claims (including contingent claims) against the debtor arising from the issuance of banker's acceptance drafts, letters of credit or guarantees (including stand-by letters of credit, likewise hereinafter) and creditor's claims (including contingent claims) against the debtor arising from the credit facilities of other banks.

The bank credit business stipulated in this contract means that the bank directly provides financial support to the customer, or guarantees the customer's compensation and payment responsibilities that may arise in the relevant economic activities, including but not limited to any one or more of the businesses listed above or businesses under other names.

▲ ▲ 1.2 The currency, amount, interest rate and debt performance period of any principal creditor's rights and other specific contents shall be signed by both the creditor and the debtor in the principal contract (including the application for quota use under the principal contract(Including the application for quota use under the principal contract and/or documents in other names signed by both the creditor and the debtor, the application for quota use and documents in other names are collectively referred to in this contract as "the application for quota use", the same below)

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) of this contract to provide the maximum amount of guarantee, whether the amount of the principal contract can be recycled, the purpose of the amount, each use The specific purpose of the credit limit and the credit period are specified by the creditor and the debtor in the principal contract. For the maximum amount of guarantee provided in accordance with Article 10.2(2) and 10.2(3), the principal creditor's rights occurring within the credit extension period agreed in the principal contract shall be guaranteed by this Contract; For the maximum amount of security provided in accordance with Articles 10.2 (4) and 10.2 (5), the principal creditor's rights arising during the period specified in Articles 10.2 (4) and 10.2 (5) shall be guaranteed by this Contract.

1.3 In accordance with articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) of this contract, if the guarantor provides the guarantee of maximum amount for the debtor, the following provisions shall apply.

The principal creditor's rights guaranteed under this contract shall be determined on the date of occurrence of the final principal creditor's right under all the principal contracts ("the date of determination of the principal creditor's rights"). If the creditor cancels the entire credit line according to the principal contract, the date on which the entire credit line is canceled shall be the date on which the principal creditor's right is determined.

The principal claims occurring on or before the date of determination of the principal creditor's rights and the interest (including compound interest, overdue and misappropriation penalty), liquidated damages, damages and the expenses for realizing the creditor's claims as agreed in Article 2.2 hereof shall be covered by the warranties of this contract.

The occurrence of a master creditor's right refers to the creditor issuing a loan, financing, overdraft or issuing a bank draft, letter of credit, guarantee or standby letter of credit.

▲ ▲ 1.4 Whether the actual amount of the creditor's rights under the principal contract is lower than or higher than the maximum amount of the creditor's rights agreed in this contract, it will not affect the guarantor's guaranty responsibility according to this contract.

Article 2 Guarantee Liability

2.1 The guarantee under this contract is a joint and several liability guarantee.

2.2 The scope of the guarantee is the principal and interest, compound interest, penalty interest, liquidated damages, damages and the cost of realizing the creditor's rights under the principal contract. Expenses for realizing claims include but are not limited to collection fees, litigation fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

2.3 The guarantee period shall be calculated separately according to the performance periods of each principal debt agreed in the principal contract (in the case of issuing bank acceptance draft/letter of credit/letter of guarantee, according to the date of advance payment by the creditor). The guarantee period under each principal debt shall be from the date of expiration of the performance period of such principal debt (or the date of advance payment by the creditor) to two years after the date of expiration of the performance period of the final principal debt due under the entire principal contract (or the date of advance payment by the creditor).

If creditor and debtor agree that the debtor can stage to perform the payment obligations, the guarantee period of the principal debt shall be calculated separately according to each repayment obligation, from the date of expiration of the performance period of each repayment obligation (or the date of advance payment by the creditor) to two years after the date of expiration of the performance period of the final principal debt due under the entire principal contract (or the date of advance payment by the creditor).

If the creditor announces that any principal debt is due early, the expiry date of the performance period of the principal debt shall be subject to the announced early maturity date.

▲▲ 2.4 If the guarantee is provided in accordance with Article 10.2 (1), the guarantor has carefully read the principal contract and confirmed all the terms.

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5) to provide the maximum amount of guarantee, for the principal contract signed before the signing of this contract, the guarantor has read the master contract carefully and confirm all terms. For the principal contract to be signed after the signing of this contract, the guarantor agrees that the creditor and the debtor do not need to notify the guarantor or obtain the consent of the guarantor when signing the principal contract. The guarantor will contact the debtor to provide relevant documents.

▲ ▲ 2.5 If the guaranty is provided in accordance with Article 10, 2 (1), and the creditor and the debtor change the principal contract, the guarantor shall still bear joint and several liability for the guaranty. However, if the principal contract is changed without the written consent of the guarantor and the contract amount is increased, the interest rate is increased or the debt performance period is extended, the guarantor shall only assume the guarantee responsibility according to the amount, interest rate and period agreed in the original principal contract; However, on the premise that the principal contract has not been changed, if the creditor adjusts the interest rate (including raising the interest rate) or extends the debt performance period according to the agreement of the principal contract, the guarantor shall still bear all the guarantee responsibilities.

In accordance with Articles 10.2 (2), 10.2 (3), 10.2 (4) and 10.2 (5), the maximum amount of security is provided, and the creditor and debtor change the principal contract, including but not limited to change the principal contract amount, credit period, debt performance period, interest rate and other terms, there is no need to notify the guarantor or obtain the consent of the guarantor, and the guarantor shall still bear the joint and several liability guarantee. However, for Article 10.2 (2) and 10.2 (3), if the principal contract amount is increased or the credit extension term is extended without the written consent of the guarantor, the guarantor shall only undertake the guarantee liability for the principal creditor's right occurring during the original credit extension term within the maximum amount agreed herein; For Articles 10.2(4) and 10.2 (5), no matter what changes occur in the principal contract, the guarantor shall have the maximum amount of claims stipulated in this contract for the principal creditor's rights that occurred during the period specified in Articles 10.2(4) and 10.2 (5)guarantee responsibility within.

▲▲2.6 The parties to this contract specifically agree as follows: the validity of this contract is independent of the principal contract, and the invalidity of the principal contract or its relevant clauses will not affect the validity of this contract. The guarantor shall be jointly and severally liable for the debtor's return liability and/or compensation liability after the principal contract is invalid.

▲▲2.7 The guarantee hereunder is a continuing guarantee, and any partial payment or discharge of all or part of the secured debt of the debtor shall not be regarded as the release of the guarantee liability of the guarantor hereunder, and the guarantor shall still be liable as agreed herein.

Article 3 Representations and Warranties of the Guarantor

3.1 The guarantor has the capacity for civil rights and full capacity for civil conduct (if the guarantor is a natural person)/ the guarantor is legally established and legally existing, and has all necessary capacity for rights (if the guarantor is a non-natural person), and can perform the obligations hereunder in its own name and bear civil liabilities.

3.2 The execution and performance of this Contract is the true intention of the Guarantor and is without any legal defect after all necessary consents, approvals and authorizations.

3.3 All documents, materials and information provided by the guarantor to the creditor in the process of signing and performing this contract are true, accurate, complete and valid.

▲▲3.4 The guarantor and its affiliates are not companies or individuals in the UN, EU or US sanctions list, and are not located in countries and regions sanctioned by the UN, EU or US.

▲▲ Article 4 Obligations of the Guarantor

4.1 The guarantor hereby irrevocably and unconditionally guarantees to the creditor that in the event that the debtor fails to repay in full all or part of the loan, the financing loan or the advance payment or the corresponding interest paid by the creditor, the guarantor shall immediately pay to the creditor the entire amount due from the debtor.

The guarantor agrees that: if the principal contract is also subject to the guarantee, mortgage or pledge provided by the debtor or a third party, the creditor has the right to decide the exercise of the guarantee right, including but not limited to: The creditor shall have the right to demand that the guarantor immediately pay the entire amount due to the debtor without first exercising the security interest or asserting rights against other guarantors, and shall have the right to claim some or all of the guarantee rights against one or more guarantors, including the guarantor, in any particular order or at the same time; If the creditor waives or changes the guarantee rights to other guarantors, and waives or changes the order of rights of the guarantee interests, the guarantor still bears the guaranty responsibility according to this contract and does not exempt from any responsibility.

4.2 The guarantor shall cooperate with the creditor in the supervision and inspection of its income and credit status (if the guarantor is a natural person)/operation and financial status (if the guarantor is a non-natural person), and promptly provide the creditor with the financial statements and other requirements for post-loan risk management needs, materials and information, and ensure that the documents, materials and information provided are true, complete and accurate.

4.3 When the guarantor has any of the following matters, it shall notify the creditor in writing at least 30 days in advance, and before the creditor's rights under the principal contract are fully paid off, unless the creditor's written consent is obtained, the following actions shall not be taken:

(1) Sell, gift, lease, lend, transfer, mortgage, pledge or otherwise dispose of important assets, all or a substantial portion of assets;

(2) Significant changes in the operating system or the form of business ownership, including but not limited to the implementation of contracting, leasing, joint ventures, corporate restructuring, shareholding cooperative restructuring, corporate sales, mergers (mergers), joint ventures (cooperation), divisions, establishment of subsidiaries, transfer of property rights, capital reduction, etc.

4.4 The guarantor shall notify the creditor in writing within seven days from the date when the following events occur or may occur:

(1) To amend the articles of association, change the enterprise's name, legal representative, residence, correspondence address, business scope and other industrial and commercial registration items, and make decisions that have major impact on finance and personnel;

(2) Intends to file for bankruptcy or may or has been filed for bankruptcy by creditors;

(3) It is involved in major litigation, arbitration or administrative measures, or its main assets are taken for property preservation or other compulsory measures;

(4) Provide a guarantee for a third party that materially and adversely affects its economic condition, financial condition or ability to perform its obligations under this contract;

(5) Sign contracts that have a significant impact on the operations and financial position;

(6) Suspend production, close down, disband, suspend business for rectification, repeal or revoke business license;

(7) The guarantor or its legal representative (responsible person) or principal management personnel is involved in any violation of laws or regulations or any violation of applicable exchange rules;

(8) Serious business difficulties, deterioration of financial conditions, or other events that have a negative impact on the guarantor's business, financial conditions or solvency or economic conditions;

(9) Major changes of the guarantor's job or income or change of domicile or other contact information (if the guarantor is a natural person);

(10) The guarantor has serious safety or environmental accident;

(11) The guarantor has a significant change of equity;

(12) The guarantor's external auditor's audit opinion on its financial statements is not a standard unqualified opinion;

(13) The guarantor is or may be investigated, punished or take other similar measures by the competent authority for violating laws and regulations and/or regulatory requirements;

(14) The sponsor or its affiliates is included in the UN, EU or US sanctions list, or its country and region is included in the UN, EU or US sanctions list of countries and regions.

4.5 The Guarantor hereby irrevocably and unconditionally agrees that the Guarantor shall not exercise any right or claim against the Debtor or other Guarantor that may prejudice the interests of the Creditor until the Guarantee Obligation has been fully paid(Including but not limited to the guarantor's right to claim compensation from the debtor or other guarantors due to the performance of this contract).If the Guarantor's exercise of any such right or claim in breach of this section results in receipt of any sums from the debtor, the Guarantor shall promptly pay such sums to the Creditor upon receipt.

4.6 Before the debtor fully repays all the debts under the principal contract, if the debtor becomes a shareholder of the guarantor or its actual controller, the guarantor will immediately notify the creditor and provide a resolution of the shareholders meeting (shareholders' meeting) on agreeing to provide the guarantee.

4.7 The guarantor guarantees to comply with national anti-money laundering laws, regulations and relevant policies, not engage in activities involving money laundering and terrorist financing, and actively cooperate with creditors to carry out anti-money laundering work such as customer identification, transaction record preservation, large and suspicious transaction report.

4.8 The guarantor guarantees that the guarantor, its employees and agents will not provide, give, solicit or accept material benefits (including but not limited to cash, physical cards, travel, etc.) or other non-material benefits in any form other than those agreed herein to the creditor or the creditor's employees; Do not use the funds or services provided by creditors in any form, directly or indirectly, for activities related to corruption or bribery; if the guarantor is aware of any violation of this agreement, it shall promptly, truthfully, completely and accurately provide clues and relevant information to creditors. information, and cooperate with relevant matters in accordance with the requirements of creditors.

▲▲ Article 5 Deduction Agreement

5.1 With the authorization of the guarantor, when the debtor or the guarantor has debts due and payable, the creditor has the right to deduct the funds in any account opened by the guarantor in all branches of Bank of Communications Co., Ltd. for repayment.

5.2 After the deduction, the creditor shall notify the guarantor of the account number involved in the deduction, the principal contract number, the application number for the use of the quota, the contract number, the deduction amount, and the debt balance.

5.3 When the guarantor's repayment of debts (including the guarantor's active repayment and the creditor's deduction of the proceeds in accordance with this contract) cannot fully pay off all the guarantor's debts:

(1) Should first be used to settle the unpaid expenses due. If the principal and interest of the due debt are less than 90 days overdue, the balance after paying off the expenses will be used to cover the unpaid interest or penalty interest and compound interest, and then used to cover the unpaid principal; If the principal or interest of the due debt is overdue for 90 days or more, the balance after offsetting the expenses shall be used to offset the unpaid principal, and then used to offset the unpaid interest or penalty interest and compound interest;

(2) Under the business of issuing bank acceptance draft, letter of credit, letter of guarantee, export factoring and so on, the balance after compensating expenses shall first be used to compensate the principal unpaid at maturity, and then be used to compensate the interest or penalty interest and compound interest unpaid at maturity;

(3) If the guarantor has multiple debts (including debts owed by the guarantor to the creditor under other contracts), the creditor has the right to decide the sequence of payment and offset of each debt of the guarantor on its own, as long as the sequence of payment and offset does not violate the mandatory provisions of laws, regulations and relevant regulatory requirements applicable to the creditor. The creditor shall notify the guarantor of the result of paying off the debt. Unless otherwise agreed by both parties on the matters in this paragraph.

(4) Under personal loans, the order of debt repayment is as stipulated in the principal contract.

5.4 If the deduction proceeds are not in the same currency as the debt to be repaid, the amount of debt repayment shall be converted at the exchange rate announced by Bank of Communications Co., Ltd. at the time of deduction. If it is necessary to go through the formalities of foreign exchange settlement, sale or exchange, the guarantor shall be obliged to assist the debtor in doing so as required by the creditor.

Article 6 Notification

6.1 The contact information (including mailing address, telephone number, fax number, etc.) filled in by the guarantor in this contract are all true and valid. If any contact information is changed, the guarantor shall immediately send/send the changed information in writing to the correspondence address filled in by the creditor in this contract. Such information changes will take effect after the creditor receives notice of the changes.

6.2 Unless otherwise expressly agreed herein, the creditor shall have the right to give any notice to the guarantor in any of the following ways. The creditor shall have the right to choose the method of notification it sees fit and shall not be liable for any errors, omissions or delays in transmission by post, facsimile, telephone or any other communication system. If the creditor chooses multiple notification methods at the same time, the one that reaches the guarantor sooner shall prevail.

(1) Announcement, the date when the creditor publishes the announcement on its website, online banking, telephone banking or business outlet is deemed to be the date of delivery;

(2) If it is delivered by hand, the date of receipt by the guarantor shall be regarded as the date of delivery;

(3) By post (including express mail, ordinary mail and registered mail) to the last known mailing address of the guarantor by the creditor, 3 days after the date of Posting (same city)/5 days (in different cities) shall be deemed as the date of delivery.

(4) Fax, mobile phone text message or other electronic communication means served on the guarantor's fax number, mobile phone number or email address specified by the guarantor as recently as known to the creditor, and the date of delivery shall be deemed the date of delivery.

6.3 The guarantor agrees that, unless the creditor receives a written notice from the guarantor about changing the correspondence address, the correspondence address filled in by the guarantor in this contract is the address at which the court will serve judicial documents and other written documents on the guarantor. During the dispute resolution process of this contract, if the court delivers judicial documents or other written documents by post (including express mail, ordinary mail, registered mail) to the guarantor's mailing address as recently known to the creditor, the guarantor will be notified on the receipt of delivery. The date of receipt is the date of delivery; If the guarantor does not sign on the receipt of delivery, the 3rd day (in the same city)/5th (different place) after the mailing date will be regarded as the delivery date.

Except for judgments, rulings, and mediations, the court has the right to make any notification to the guarantor through any of the communication methods stipulated in Article 6.2. The court shall have the right to choose such means of communication as it sees fit and shall not be liable for errors, omissions or delays in transmission by post, facsimile, telephone, telex or any other communication system. If the court chooses multiple communication methods at the same time, the one that reaches the guarantor sooner shall prevail.

▲▲ Article 7 Information Disclosure and Confidentiality

7.1 The creditor shall not violate laws, regulations and regulatory requirements with respect to the use of the guarantor's undisclosed information and materials obtained and known during the signing and performance of this contract, and shall bear the responsibility of confidentiality according to law and shall not disclose such information and materials to any third party, except for the following circumstances:

(1) Disclosure required by applicable laws and regulations;

(2) Where the judicial department or regulatory agency is required to disclose according to law;

(3) The guarantor fails to assume the guaranty responsibility as agreed, and the creditor needs to disclose to the creditor's external professional adviser and allow the creditor's external professional adviser to use on the basis of confidentiality in order to realize the creditor's rights under this contract.

(4) Where the guarantor otherwise agrees or authorizes the lender to make the disclosure.

7.2 The guarantor confirms that he has signed the "Letter of Authorization for Credit Information Inquiry and Provision". The creditor inquires, uses and saves the credit information of the guarantor within the scope specified in the power of attorney.

7.3 In addition to the situations stipulated in Articles 7.1 and 7.2 of this contract, the guarantor further agrees that Bank of Communications Co., Ltd. may use or disclose the information and materials of the guarantor in the following circumstances, including but not limited to the basic information of the guarantor, information, credit transaction information, bad information and other related information and materials, etc., and are willing to bear all the consequences arising therefrom:

For the following purposes, to business outsourcing agencies, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by creditors, including but not limited to other branches of Bank of Communications Co., Ltd., or Bank of Communications Co., Ltd. in whole or in part Owned Subsidiaries, disclose and permit them to use such information and materials on a confidential basis: ① In order to carry out bank credit business or related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the guarantor's arrears, transferring the creditor's rights of the bank credit business, etc.; ② Provide or may provide new products or services or provide further services for the creditor to the guarantor.

Whether this Article 7.3 is applicable shall be subject to the agreement between the two parties in Article 12.1 of this contract.

Article 8 Dispute Resolution

This contract is governed by the laws of the People's Republic of China (excluding the laws of Hong Kong, Macau and Taiwan for the purpose of this contract). Disputes under this contract shall be brought to the court with jurisdiction where the creditor is located, unless it is otherwise stipulated in the "Other Agreed Matters" clause of this contract. During the dispute, the parties shall continue to perform the terms not involved in the dispute.

Article 9 Effective Terms

This contract will take effect from the date when all the following conditions are met: (1) The legal representative (person in charge) or authorized representative of the guarantor signs (or seals) and affixes the official seal; if the guarantor is a natural person, the guarantor signs; (2) The creditor is responsible for Signed (or stamped) by the person or authorized representative and stamped with the unit's seal.

Article 10 The Principal Contract of the Guarantee

10.1 The guaranteed debtor is: Shaoguan Angrui Environmental Technology Development Co., Ltd.

10.2 The guarantee provided in this contract shall be governed by the following clause (1):

(1) Guarantee. Guaranteed principal contract number: Yuejiao Yinshao 2019 Fixed Asset Loan No. 002 Name: Fixed Assets Loan Contract;

(2) Guarantee under the debt ceiling. Guaranteed principal contract number: /____Name: /____; The maximum amount of debt guaranteed by the guarantor is (currency) : /____ (capitalized amount: /____;

(3) Guarantee under the debt ceiling. Guaranteed principal contract number: /____Name: /____;The maximum amount of debt guaranteed by the guarantor shall be the sum of the following two amounts: ① Guaranteed maximum principal balance of principal creditor's rights (currency): /____ (capitalized amount): /____.The term "guaranteed maximum principal balance of principal creditor's rights" as mentioned in this paragraph refers to the maximum principal balance of principal creditor's rights (including contingent creditor's rights) guaranteed by the guarantor under the principal contract,②The aforesaid principal creditor's rights continue until the guarantor assumes responsibility for the interest (including compound interest, overdue and misappropriation penalty interest), liquidated damages, damages and the cost of the creditor's realization of the creditor's rights stipulated in Article 2.2 of this contract.

Principal balance means the sum of either or both of the following:

i. Sum of various types of loans, overdrafts, discounts and/or principals of various types of trade financing issued by the creditor under the principal contract and outstanding by the debtor;

ii. The sum of the amount of bank acceptance bills, letters of credit or letters of guarantee issued by the creditor under the principal contract and still valid, and the sum of the amount advanced by the creditor under the aforesaid bank credit business but not paid by the debtor.

(4) Guaranty of maximum amount. The guarantor provides the highest guarantee for all the principal contracts signed between the creditor and the debtor from /____(Year)/____(Month) /____(Day) to /____(Year)/____(Month) /____(Day). All principal contracts signed during the period provide the highest guarantee, and the maximum amount of creditor's rights guaranteed by the guarantor is (currency and capitalized amount) : ____/____.

The term “principal contract” as mentioned in the preceding paragraph refers to: all credit business contracts signed by the creditor and the debtor all credit business contracts signed for ___/___.

(5) Guaranty of maximum amount. The guarantor provides the maximum guarantee for all the principal contracts signed between the creditor and the debtor during the period from ___ / year ___ / ___ month / ___ day to / ___ year / ___ month / ___ day, and the maximum amount of creditor’ s rights guaranteed by the guarantor is the sum of the following two amounts: ① The maximum amount of the principal balance of the principal creditor's rights guaranteed (currency and capitalized amount): / _____, the term "the maximum amount of the principal balance of the principal creditor's rights guaranteed" in this subsection refers to the principal creditor's rights (including the contingent claims) guaranteed by the guarantor under the principal contract claims) the maximum amount of the principal balance, ② The aforesaid principal creditor’s rights continue until the guarantor assumes responsibility for the interest (including compound interest, overdue and misappropriation penalty interest), liquidated damages, damages and the cost of the creditor's realization of the creditor's rights stipulated in Article 2.2 of this contract.

The “principal contract” mentioned in the preceding paragraph refers to: all the credit extension business contracts signed by the creditor and the debtor all the credit extension business contracts signed for ___/___.

Principal balance means the sum of either or both of the following:

i. The sum of the principals of various types of loans, overdrafts, discounts and/or various trade financing funds issued by the creditor under the principal contract and outstanding by the debtor;

ii. The sum of the amount of bank acceptance bills, letters of credit or letters of guarantee issued by the creditor under the principal contract and still valid, and the sum of the amount advanced by the creditor under the aforesaid bank credit business but not paid by the debtor.

Article 11 Contact Information

The contact details for the guarantor to receive notices under Article 6 include:

Mailing address: Room 7953, Building 2, 1800 Panyuan Road, Changxing Town, Chongming District, Shanghai

Recipient: Li Jingquan

Zip code: 202150

Tel: [*]; Cell phone: [*]

Fax: [*]; E-mail: /

Article 12 Other Agreed Matters

12.1 Both parties agree, in this contract Clause 7.3 applies does not apply.

12.2 Both parties agree that the jurisdictional court for disputes stipulated in Article 8 of this contract shall be revised from “the court with jurisdiction at the location of the creditor” to: /

Article 13 Copies of Contracts

This contract is in four original copies, each party holds one copy.

Guarantor: Shanghai Onway Environmental Development Co., Ltd.

Legal representative (person in charge): Peng Wenlie

Certificate Type: Business License

Certificate Code: 91310000322311813W

Legal (household registration) address: Room 7953, Building 2, 1800 Panyuan Road, Changxing Town, Chongming District, Shanghai

Creditor: Bank of Communications Co., Ltd. _Shaoguan_ Branch

Person in charge: Gao Yan

Mailing address: No. 27, Industrial Middle Road, Wujiang District, Shaoguan City

<p>The guarantor has read all the terms of the contract thoroughly, the creditor has made a detailed explanation at the request of the guarantor, the guarantor has no doubts and objections to all the contents when signing this contract, and understands the terms of the contract, especially the meaning and legal consequences of the terms marked with ▲▲.</p>
--

(No text below this page)

<p>Guarantor (official seal/signature) Shanghai Onway Environmental Development Co., Ltd.</p> <p>Legal representative (responsible person) or authorized representative (signature or seal) /s/ PENG Wenlie</p> <p>Date of signature: August 29, 2019</p>	<p>Creditor (unit seal) Special Seal for Credit Business Contract of Shaoguan Branch of Bank of Communications Company Limited</p> <p>Responsible person or authorized representative (signature or seal) /s/ GAO Yan</p> <p>Date of signature: August 29, 2019</p>
---	---

Co-Owner Statement Terms (Applicable when the guarantor is a natural person) :

I (Name: /_____ Type of Identification: /_____ Identification No.: /_____) is the spouses of the guarantor. I have carefully read and confirmed all terms of this contract, understand and agree that the guarantor provides a guarantee to the creditor for the debtor, and the debts under such guarantee shall be the joint debts of the couple and shall be paid out of the joint assets of us.

Co-Owner signature:

Accounts Receivable Pledge Contract

Bank of Communications Co., LTD

Accounts Receivable Pledge Contract

Important Tips

The Pledgor shall read the full text of this contract carefully, especially the clauses marked with ▲▲. In case of doubt, please ask the Pledgee to explain it in time.

In order to guarantee the realization of the creditor's rights under the principal contract signed between the debtor and the Pledgee, the Pledgor is willing to pledge the accounts receivable which it has disposition right.

In order to clarify the rights and obligations of both parties, the Pledgor and the Pledgee hereby conclude this contract through consultation.

Article 1 Pledge Object, Pledge Effectiveness and the Registration of Pledge Right

1.1 The pledge object under this contract is accounts receivable, and the details of the pledge object shall be subject to Article 15 of this contract.

1.2 The pledge effectiveness and the fruits generated during the pledge period of accounts receivable (if applicable).

1.3 The Pledgee shall go to the credit information service agency of the People's Bank of China to register the pledge and the Pledgor shall assist.

Article 2 Scope of Guarantee

2.1 The scope of guarantee is the principal and interest, compound interest, penalty interest, liquidated damages, damages, and the expenses of the Pledgee for keeping the pledged property and realizing the creditor's rights and pledge rights under the principal contract. The expenses for realizing creditor's rights and pledge rights include but are not limited to urging fees, litigation fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

▲ ▲ 2. 2 Both parties of this contract specially agree as follows: the validity of this contract is independent of the principal contract, and the invalidity of the principal contract or its relevant clauses will not affect the validity of this contract. The Pledgor shall be jointly and severally liable for the return or compensation liability that the debtor should bear after the principal contract becomes void.

▲ ▲ Article 3 Margin Account (Not Applicable to This Contract)

3.1 During the pledge period, the Pledgor shall open a margin account with the Pledgee as a special collection account for pledged accounts receivable. This special collection account is unique and cannot be changed or re-opened without the written consent of the Pledgee. The amount recovered from pledged accounts receivable shall become the security deposit from the date it is deposited into the account (see Article 16 of this contract for the account number of the margin account and the specific interest-bearing method of the cash deposit).

3.2 The cash deposit and interest are used to guarantee the principal and interest, compound interest, penalty interest, liquidated damages, damages, and the expenses for realizing the creditor's rights and pledge rights under the principal contract. The expenses for realizing creditor's rights and pledge rights include but are not limited to urging fees, litigation fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

3.3 The cash deposit is transferred to the Pledgee's possession from the date it is deposited into the account. Before the debts under the principal contract are fully paid off, the Pledgor shall not withdraw, transfer or dispose of or use the money in the margin account in any other way without the written consent of the Pledgee. When the debt under the principal contract is overdue, the Pledgee has the right to deduct the cash deposit and its interest.

3.4 Without the written consent of the Pledgee, the Pledgor shall not withdraw the funds in the margin account. If the Pledgor applies for withdrawing funds from the margin account, it shall submit the *Application for Withdrawing Funds from Accounts Receivable* as required by the Pledgee, and provide other guarantee measures recognized by the Pledgee. The Pledgee has the right to decide whether to approve the Pledgor's application for withdrawal.

Article 4 Received Payments Account (Applicable to This Contract)

4.1 With the consent of the Pledgee, the Pledgor does not need to open a margin account dedicated to the received payments of accounts receivable at the Pledgee, and the received payments of accounts receivable shall be put in the general settlement account opened by the Pledgor at the Pledgee (see Article 17 of this contract for the general settlement account number).

4.2 The Pledgee has the right to monitor the capital flow in the Pledgor's received payments account, the average balance of the account, the due recovery of accounts receivable and the actual occurrence of future accounts receivable, etc. The Pledgor shall ensure that the inflow of funds in the received payments account matches the period and amount of accounts receivable.

4.3 In case of any abnormal situation, such as the fund in the received payments account does not match the account period and amount of the accounts receivable, and the accounts receivable are not recovered due, the Pledgee has the right to take any of the following measures:

(1) The funds deducted from received payments account are used to repay the creditor's rights under the principal contract;

(2) Require the Pledgor to open a margin account and transfer the funds in the received payments account into the margin account. The Pledgor shall notify the payer of the accounts receivable to transfer the funds of the subsequent accounts receivable into the margin account. Article 3 of this contract shall apply to other contents of the margin account.

Article 5 Notification to the Payer

Whether or not to notify the payer when the accounts receivable are pledged can be divided into the following two situations, which are subject to Article 18 of this contract:

Firstly, the Pledgor shall notify the payer of accounts receivable (hereinafter referred to as the payer) within the agreed time after the signing of this contract according to the format of the *Notification of Pledge of Accounts Receivable* attached to this contract, inform the account number of special accounts receivable, and obtain the confirmation receipt of the payer. Without the consent of the Pledgee, the Pledgor shall not notify the payer to change the collection account.

Secondly, when the accounts receivable are pledged, the payer will not be notified, but the Pledgor shall take the general settlement account opened with the Pledgee as the received payments account according to Article 4 of this contract, and the specific content of the received payments account shall be subject to Article 4 of this contract. The Pledgor shall also sign the *Notification of Pledge of Accounts Receivable (Applicable to No Notification During Pledge)* in advance according to the format of *Notification of Pledge of Accounts Receivable (Applicable to No Notification During Pledge)* attached to this contract, and authorize the Pledgee to fill in the blank part when the Pledgee deems it necessary and then notify the payer.

Article 6 Representation and Warranty of the Pledgor

6.1 The Pledgor is legally established and exists, has all necessary rights and capabilities, can fulfill the obligations of this contract in its own name and bear civil liabilities.

6.2 The signing and performance of this contract is the true expression of the Pledgor's will, and all necessary consents, approvals and authorizations have been obtained without any legal defects.

6.3 The accounts receivable and relevant documents, materials and information provided by the Pledgor to the Pledgee in the process of signing and performing this contract are true, accurate, complete and effective.

6.4 The Pledgor has full right to dispose of the accounts receivable, and there are no defects, disputes, lawsuits (arbitration) or any third party's rights and interests that have not been told to the Pledgee, and there are no situations that can be offset between the Pledgor and the payer.

6.5 The Pledgor does not make any changes to its name within four months before the signing date of this contract and informs the Pledgee of its name status.

6.6 The Pledgor has completed all necessary approval, consent, examination and other formalities for the pledge of accounts receivable under this contract.

6.7 Where the accounts receivable generated from the sale of goods are pledged, the corresponding goods are not pledged.

▲ ▲ 6.8 Neither the Pledgor nor its related parties belong to the enterprises or individuals on the sanctions list of the United Nations, the European Union or the United States, nor are they located in countries and regions sanctioned by the United Nations, the European Union or the United States.

▲ ▲ Article 7 Obligations of the Pledgor

7.1 The Pledgor shall bear the expenses arising from the auction and sale of accounts receivable.

7.2 The Pledgor shall actively perform the basic transaction contract with the payer to maintain the value of accounts receivable.

7.3 Without the written consent of the Pledgee, the Pledgor shall not dispose of the accounts receivable in any way.

7.4 The Pledgor shall notify the Pledgee in writing immediately after the following events happen, cooperate with the Pledgee to take relevant measures, and provide additional guarantee as required by the Pledgee:

(1) The value of accounts receivable decreases or may decrease;

(2) The Pledgor changes the name, domicile, legal representative, registered capital, business scope, company type, and the Articles of Association of the company, or major changes occur in the financial and personnel aspects, or is declared bankrupt, canceled or dissolved according to laws;

(3) The payer is declared bankrupt, revoked or dissolved according to laws;

(4) Trade disputes (including but not limited to trade disputes in quality, technology and service), debt disputes and debt recourse arise between the Pledgor and the payer or other third parties, resulting in accounts receivable that may not be paid on time;

(5) There are signs that the Pledgor's accounts receivable are difficult to recover;

(6) The ownership of accounts receivable is disputed, or the pledge right is or may be adversely affected by any third party;

(7) The Pledgor makes provision for large bad debts or confirms the actual bad debt loss for the accounts receivable under pledge;

(8) If the accounts receivable under Article 15 (2) or (3) of this contract are pledged, the basic transaction contract cannot be continuously performed or the continuous performance of the contract is subject to significant uncertainty;

(9) The Pledgor has a major safety or environmental protection accident;

(10) The Pledgor has significant equity change;

(11) The external auditor of the Pledgor's audit opinion on its financial statements is not a standard unqualified opinion;

(12) The Pledgor is or may be investigated, punished or taken other similar measures by the competent authority for violating laws, regulations and/or regulatory requirements;

(13) The Pledgor or its related parties are included in the sanctions list of the United Nations, the European Union or the United States, or their countries and regions are included in the sanctions list of the United Nations, the European Union or the United States.

In any of the above situations, the Pledgee has the right to notify the payer of the *Notification of Pledge of Accounts Receivable (Applicable to No Notification During Pledge)* for the business not notified to the payer during pledge.

7.5 In case of any of the following circumstances, the Pledgor shall provide guarantee separately according to the requirements of the Pledgee, and cooperate with the Pledgee to take relevant measures:

- (1) The Pledgee thinks that the value of accounts receivable decreases or may decrease;
- (2) The debtor's credit business in Bank of Communications is overdue or has advance payment and debit interest, etc.
- (3) The payer fails to pay the receivable funds to the account designated by the Pledgee or fails to deliver the bank acceptance bill as payment to the Pledgee as required.

In any of the above situations, the Pledgee has the right to notify the payer of *Notification of Pledge of Accounts Receivable (Applicable to No Notification During Pledge)* for the business not notified to the payer during pledge.

7.6 The Pledgor shall assist the Pledgee to realize the pledge right without setting any obstacles.

7.7 Before the debtor pays off all debts under the principal contract to the Pledgee, the Pledgor shall not exercise the right of recourse enjoyed by the debtor or other guarantors for the performance of this contract.

7.8 If the Pledgee and the debtor change the principal contract, the Pledgor shall still bear the liability for insurance. However, if the principal contract is changed, the contract amount is increased, the interest rate is increased or the debt performance period is extended without the written consent of the Pledgor, the Pledgor shall still undertake the guarantee responsibility according to the amount, interest rate and period agreed in the original principal contract; however, if the Pledgee adjusts the interest rate (including raising the interest rate) or extends the debt performance period according to the agreement of the principal contract, the Pledgor shall still bear all the guarantee responsibilities.

7.9 If the accounts receivable under Article 15 (2) or (3) of this contract are pledged, the Pledgor shall submit the original invoice to the Pledgee within two months after the accounts receivable are actually formed.

7.10 Before the debtor pays off all debts under the principal contract in full, if the debtor becomes the shareholder or actual controller of the Pledgor, the Pledgor will immediately notify the Pledgee and provide the resolution of the shareholders' meeting (general meeting of shareholders) on agreeing to provide guarantee.

7.11 The Pledgor promises to abide by the national anti-money laundering laws, regulations and relevant policies and requirements, not engage in activities involving money laundering and terrorist financing, and actively cooperate with the Pledgee in various anti-money laundering work such as customer identification, transaction record keeping, large-value and suspicious transaction reports, etc.

7.12 The Pledgor guarantees that the Pledgor and its employees and agents shall not provide, give, ask for or accept any form of material benefits (including but not limited to cash, physical cards and travel, etc.) or other intangible benefits to the Pledgee or its employees in any form; use the funds or services provided by the Pledgee in any form directly or indirectly for activities related to corruption or bribery; if the Pledgor is aware of any violation of this Article, it shall timely, truthfully, completely and accurately provide clues and relevant information to the Pledgee, and cooperate with relevant matters according to the Pledgee's requirements.

▲ ▲ Article 8 Realization of Pledge

8.1 If the debtor fails to repay all or part of the loan, financing funds or the Pledgee's advance payment or corresponding interest on time, the Pledgee has the right to auction and sell the accounts receivable according to laws, and get the priority of compensation with the proceeds, or the Pledgee has the right to directly collect fees from the Pledgor's debtor.

8.2 If the Pledgor fails to provide new guarantee as agreed in Article 7.4 or Article 7.5, the Pledgee has the right to dispose of the accounts receivable according to laws, and the proceeds shall be used to pay off the secured creditor's rights and related expenses in advance; if the Pledgee receives the written notice of the Pledgor's disapproval of early settlement before the disposal of accounts receivable, the proceeds shall be deposited into the insurance fund account, and the Pledgor may not withdraw it without the written consent of the Pledgee. When the principal creditor's right has not been paid off due, the Pledgee can be directly compensated with the money in the account.

8.3 The Pledgor agrees that if the principal contract is guaranteed by the guarantee, mortgage or pledge provided by the debtor or a third party at the same time, the Pledgee has the right to decide the exercise of the guarantee right at its own discretion, including but not limited to: the Pledgee has the right to directly exercise the pledge right without claiming rights from other guarantors first, and has the right to claim part or all of the guarantee rights from one or more guarantors including the Pledgor separately or simultaneously in no order; if the Pledgee abandons or changes the guarantee rights of other guarantors or the right sequence of the real right for security, the Pledgor shall still assume the guarantee responsibility according to this contract without any exemption.

▲ ▲ Article 9 Guarantee Clause

9.1 If the pledge right is not established or invalid due to the following reasons, the Pledgor shall be jointly and severally liable for the debtor's debts under the principal contract:

- (1) The Pledgor fails to assist in the pledge registration formalities as agreed in Article 1.3;
 - (2) The representation and warranty made by the Pledgor under Article 6 are untrue;
 - (3) Other reasons due to the Pledgor.
-

9.2 The scope of the Pledgor's guarantee is the principal and interest, compound interest, default interest, liquidated damages, damages, and the expenses of the Pledgee for keeping the pledged property and realizing the debt right under the principal contract. The expenses for realizing creditor's rights include but are not limited to urging fees, litigation fees (or arbitration fees), preservation fees, public security fees, execution fees, attorney fees, travel expenses and other expenses.

9.3 The guarantee period is two years from the expiration date of the debt performance period.

If the principal contract stipulates that the debtor can fulfill the repayment obligations in installments, the guarantee period shall be calculated according to the repayment obligations of each installment, starting from the expiration date of each installment and ending two years after the expiration date of the last installment.

The expiration date of the debt performance period under the bank acceptance bill, letter of credit and letter of guarantee is the date when the creditor advances the money.

If the creditor declares that all debts under the principal contract are due in advance, the declared early maturity date shall be the expiration date of the debt performance period.

9.4 The validity of this guarantee clause is independent of the rest of this contract. The effective condition of this guarantee clause is that the pledge right under this contract is not established or invalid due to the reasons listed in Article 9.1.

Article 10 Notification

10.1 The contact information (including mailing address, contact telephone number and fax number, etc.) filled in by the Pledgor in this contract are true and valid. If any contact information is changed, the Pledgor shall immediately mail/send the changed information in writing to the communication address filled in this contract by the Pledgee. Such information changes shall take effect after the Pledgee receives the notice of change.

10.2 Unless otherwise expressly agreed in this contract, the Pledgee shall have the right to give any notice to the Pledgor in any of the following ways. The Pledgee has the right to choose the appropriate notification method, and does not need to be responsible for the transmission errors, omissions or delays in the mail, fax, telephone or any other communication system. If the Pledgee chooses multiple notification methods at the same time, the one which arrives at the Pledgor sooner shall prevail.

(1) When delivered by announcement, the date when the Pledgee makes an announcement on its website, online banking, telephone banking or business outlets shall be regarded as the date of delivery;

(2) When delivered by special person, the date of receipt by the Pledgor shall be regarded as the date of delivery;

(3) When delivered by post (including express mail, ordinary mail and registered mail) to the last known mailing address of the Pledgor, the 3rd day (same city)/5th day (different cities) day after the mailing date shall be regarded as the date of delivery;

(4) When delivered by fax, mobile phone short message or other electronic communication methods to the fax number of the Pledgor recently known by the Pledgor, the mobile phone number or e-mail address designated by the Pledgor, the date of sending shall be regarded as the date of delivery.

10.3 The Pledgor agrees that unless the Pledgee receives the written notice from the Pledgor about the change of mailing address, the mailing address filled by the Pledgor in this contract is the address where the court serves judicial documents and other written documents to the Pledgor. In the process of dispute settlement of this contract, if the court delivers judicial documents or other written documents to the Pledgor's mailing address recently known by the Pledgee by mail (including express mail, ordinary mail and registered mail), the date of receipt of the Pledgor's service receipt shall be the date of delivery; if the Pledgor fails to sign for the receipt of service, the 3rd day (same city)/5th day (different cities) after the mailing date shall be regarded as the date of delivery.

Except the judgment, ruling and conciliation statement, the court has the right to communicate with the Pledgor by any communication method agreed in Article 10. 2 for any notice sent to the Pledgor. The court has the right to choose the communication method it deems appropriate, and it is not responsible for the transmission errors, omissions or delays in the mail, fax, telephone, telex or any other communication system. If the court chooses multiple communication methods at the same time, the one which reaches the Pledgor sooner shall prevail.

▲ ▲ Article 11 Information Disclosure and Confidentiality

11. 1 For the undisclosed information and materials of the Pledgor obtained and known during the signing and performance of this contract, the Pledgee shall not violate laws, regulations and regulatory requirements when using the relevant information and materials, and shall bear the confidentiality responsibility according to law, and shall not disclose the information and materials to the third party, except in the following circumstances:

(1) The disclosure is required by applicable laws and regulations;

(2) The disclosure is required by the judicial department or regulatory agency according to laws;

(3) When the Pledgor fails to undertake the guarantee responsibility as agreed, the Pledgee needs to disclose to the external professional consultant of the Pledgee and allow the external professional consultant of the Pledgee to use it on the basis of confidentiality in order to realize the pledge right under this contract;

(4) The Pledgor agrees or authorizes the Pledgee to disclose.

11.2 The Pledgor confirms that it has signed the *Authorization Letter for Credit Information Inquiry and Provision*. The Pledgee shall inquire, use and save the credit information of the Pledgor within the scope specified in the power of attorney.

11.3 In addition to the circumstances specified in Article 11.1 and Article 11.2 of this contract, the Pledgor further agrees that Bank of Communications Co., Ltd. can use or disclose the Pledgor's information and materials under the following circumstances, including but not limited to the Pledgor's basic information, credit transaction information, bad information and other related information and materials, and is willing to bear all the consequences arising therefrom:

To disclose and allow such information and materials to be used on a confidential basis to business outsourcing institutions, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by the Pledgee, including but not limited to other branches of Bank of Communications Co., Ltd. or wholly or partially owned subsidiaries of Bank of Communications Co., Ltd.: ① develop or be related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the Pledgor's arrears and transferring the creditor's rights of bank credit business; ② provide or possibly provide new products or services or further services for the Pledgee to the Pledgor.

Whether this Article 11.3 is applicable or not shall be subject to the agreement of both parties in Article 20 of this contract.

Article 12 Law Application and Dispute Resolution

This contract shall be governed by the laws of the People's Republic of China (for the purpose of this contract, the laws of Hongkong, Macau and Taiwan Province are not included). Disputes under this contract shall be brought to the court with jurisdiction where the Pledgee is located, unless otherwise agreed in this contract. During the dispute, all parties shall continue to perform the clauses not involved in the dispute.

Article 13 Other Clauses

13.1 The annexes of this contract and relevant documents and materials confirmed by both parties are integral parts of this contract.

13.2 This contract shall come into force after the legal representative (person in charge) or authorized representative of the Pledgor signs (or seals) and seals, and the person in charge of the Pledgee or authorized representative signs (or seals) and seals.

Article 14 Guaranteed Principal Contract and Principal Creditor's Rights

14.1 The guaranteed debtor is: Shaoguan Angrui Environmental Technology Development Co., Ltd.

14.2 Contract number of the principal contract guaranteed by this contract: Yuejjiao Yinshao 2019 Fixed Asset Loan No.002 Name: Fixed Assets Loan Contract.

14.3 The guaranteed principal creditor's rights are the principal under the principal contract: (currency) CNY (amount in words) Eighty Million only, and other specific contents are agreed in the principal contract.

Article 15 Pledge Object

The pledge object is the accounts receivable agreed in Item (2) below (hereinafter referred to as "accounts receivable").

(1) Accounts receivable described in the "List of Pledged Accounts Receivable" attached to this contract.

(2) All income rights (30 years from the effective date of the PPP project contract of this project) from the Housing and Urban-Rural Construction Bureau of Wujiang District, Shaoguan City under the PPP project contract of "PPP Project of Domestic Waste and Wastewater Treatment Infrastructure of Villages and Towns in Wujiang District" and its supplementary agreements undertaken by the Pledgor Shaoguan Angrui Environmental Technology Development Co., Ltd., including but not limited to all receivable fees such as project service fees.

Article 16 Margin Account and Interest Calculation Method (Not Applicable to This Contract)

16.1 Margin account number opened by the Pledgor at the Pledgee is: / / .

16.2 The interest calculation method of the cash deposit is: / .

Article 17 Received Payments Account (Applicable to This Contract)

The general settlement account number opened by the Pledgor at the Pledgee is:

Name: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Account number: [*]

Bank of Account: Shaoguan Branch of Bank of Communications Co., Ltd.

Article 18 Notification to the Payer (Check One According to the Actual Business)

Article 5.1 of this contract is applicable and the Pledgor shall notify the payers of accounts receivable within / / days after signing this contract;

Article 5.2 of this contract is applicable.

Article 19 Contact Information

The contact information of the Pledgor for receiving the notice agreed in Article 10 includes:

Address: Room 317, 3/F of Lingjiao Enterprise Office Building, West of Huanggangling, Chongxia Management Area, Longgui Town, Wujiang District, Shaoguan City

Recipient: Li Jingquan

Postal code: 512000

Tel.:

Mobile phone number: [*]

Fax:

Email address: [*]

Article 20 Other Agreed Matters

20.1 Both parties agree that Article 11.3 is R applicable / £ not applicable to this contract.

Article 21 The contract is made in triplicate, one for each party.

The Pledgor: Shaoguan Angrui Environmental Technology Development Co., Ltd.

Legal representative (person in charge): Ma Xiongbing

Legal address: Room 317, 3/F of Lingjiao Enterprise Office Building, West of Huanggangling, Chongxia Management Area, Longgui Town, Wujiang District, Shaoguan City.

The Pledgee: Shaoguan Branch of Bank of Communications Co., Ltd.

Person in charge: Gao Yan

Communication address: No. 27, Gongye Middle Road, Wujiang District, Shaoguan City.

The Pledgor has read through all the terms of the contract, and the Pledgee has made a detailed explanation at the request of the Pledgor. When the Pledgor signs this contract, it will have no doubts and objections, and understand the meaning and legal consequences of the contract clauses, especially those marked with a ▲▲.

(There is no text below)

The Pledgor (official seal):
Shaoguan Angrui Environmental Technology Development Co., Ltd.

Legal representative (person in charge) or authorized representative
(Signature or seal)

/s/ Ma Xiongbing

Signed on: August 29, 2019

The Pledgee (seal of the unit):
Special Seal for Credit Business Contract of Shaoguan Branch of Bank of
Communications Co., Ltd.

Person in charge or authorized representative
(Signature or seal)

/s/ Gao Yan

Signed on: August 29, 2019

List of Pledged Accounts Receivable of Shaoguan Branch of Bank of Communications Co., Ltd.

August 29, 2019

Name of the Pledgor: Shaoguan Angrui Environmental Technology Development Co., Ltd.							
Principal contract No.: Yuejiao Yinshao 2019 Fixed Asset Loan No.002				Pledge contract No.: Yue Jiaoyin Shao Gong 2019 Yingzhizi No.002			
S.N.	Name of basic transaction contract	Number of basic transaction contract	Payers of accounts receivable	Amount of accounts receivable	Date due of accounts receivable	Invoice No.	Remark
Total							
Official seal of the Pledgor: Shaoguan Angrui Environmental Technology Development Co., Ltd.				Unit seal of the Pledgee: Special Seal for Credit Business Contract of Shaoguan Branch of Bank of Communications Co., Ltd.			
Handled by: /s/ Li Jingquan				Handled by:			

Equity Pledge Contract

Bank of Communications Co., LTD

Equity Pledge Contract

Important Tips

The Pledgor shall read the full text of this contract carefully, especially the clauses marked with ▲ ▲. If there is any doubt, please submit it to the Pledgee for explanation in time.

In order to guarantee the realization of all creditor's rights under the principal contract signed or to be signed between the Debtor and the Pledgee (Creditor), the Pledgor is willing to provide pledge with the equity that he has the right to dispose of.

In order to clarify the rights and obligations of both parties, the Pledgor and the Pledgee have entered into the Contract through consultation.

Article 1 Pledge, Validity of Pledge Right and Registration of Pledge

1.1 The pledged property under this contract is equity. The details of pledged equity shall be subject to the List of Pledged Equity attached to this Contract.

1.2 The validity of the pledge right shall be limited to the proceeds (including but not limited to shares presented by the company, bonus and dividends) generated during the pledge period. During the pledge period, the proceeds of equity shall be deposited into the account designated by the Pledgee, and the Pledgor shall not withdraw them without the written consent of the Pledgee.

1.3 The Pledgor shall go through the pledge registration formalities stipulated by law immediately after signing this Contract. If the shares are presented during the pledge period, the Pledgor shall cooperate with the pledge registration formalities (if necessary) according to the requirements of the Pledgee.

Article 2 Scope of Guarantee

2.1 The scope of guarantee is the principal and interest, compound interest, penalty interest, liquidated damages, damages, and the expenses for the Pledgee to keep the pledged property and realize the creditor's rights and pledge rights under the principal contract. The expenses for realizing creditor's rights and pledge rights include but are not limited to collection fees, legal fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

▲▲ 2.2 Both parties hereto specifically agree as follows: The validity of the Contract is independent of the principal contract, and the invalidity of the principal contract or its relevant clauses will not affect the validity of the Contract. The Pledgor shall be jointly and severally liable for the return liability or compensation liability that the Debtor should bear after the principal contract is invalid.

Article 3 Representation and Guarantee of Pledgor

3.1 The Pledgor has capacity for civil rights and full capacity for civil conduct (If the Pledgor is a natural person)/The Pledgor is legally established and exists, has all necessary capacity for rights (If the Pledgor is a non-natural person), and can perform the obligations hereof and bear civil liabilities in its own name.

3.2 The signing and performance of the Contract is the true intention of the Pledgor, and has been subject to all necessary consents, approvals and authorizations, without any legal defects.

3.3 The equity rights and all documents, statements, materials and information provided by the Pledgor to the Pledgee during the signing and performance of the Contract are true, accurate, complete and valid.

3.4 The Pledgor has completed all necessary approval, consent, examination and approval or registration procedures for the pledge of equity under the Contract.

3.5 Equity is formed by paid-in capital contribution and is transferable according to law.

3.6 The Pledgor has full right to dispose of the equity, and there are no defects, disputes, lawsuits (arbitration) or the rights and interests of any third party that has not been informed to the Pledgee.

▲▲ 3.7 Neither the Pledgor nor its related parties belong to enterprises or individuals on the sanctions list of the United Nations, the European Union or the United States, and are not located in countries and regions sanctioned by the United Nations, the European Union or the United States.

▲▲ Article 4 Obligations of the Pledgor

4.1 The Pledgor shall complete all approval, consent, examination and approval or registration procedures required for the performance of the Contract.

4.2 If the Pledgee believes that the equity value is reduced or may be reduced, including but not limited to the reduction of the equity value due to the Pledgor's non-purchase of allotment of shares or the issuance of new shares by the invested company, the Pledgor shall provide additional pledge as required by the Pledgee.

4.3 The Pledgor shall bear the expenses arising from the auction and sale of equity.

4.4 Without the written consent of the Pledgee, the Pledgor shall not dispose of the equity in any way.

4.5 In case of allotment of shares during the pledge period, the Pledgor shall purchase and supplement the pledged property as the Contract, and cooperate with the corresponding pledge registration procedures as required by the Pledgee.

4.6 The Pledgor shall notify the Pledgee in writing immediately after the occurrence of the following events:

(1) The Pledgor changes the enterprise name, domicile, legal representative, registered capital, business scope, company type, modifies the Articles of Association, or has major changes in finance and personnel, or is declared bankrupt, revoked or dissolved according to law (If the Pledgor is a non-natural person)/the Pledgor's work and income have major changes (If the Pledgor is a natural person);

(2) The invested company changes its registered capital and is declared bankrupt, revoked or dissolved according to law;

(3) The ownership of equity is disputed, or the pledge right is or may be adversely affected by any third party;

- (4) The Pledgor has a major safety or environmental protection accident;
- (5) Significant equity change of the Pledgor;
- (6) The audit opinion issued by the Pledgor's external auditor on its financial statements is not a standard unqualified opinion;
- (7) The Pledgor has been or may be investigated, punished or governed with other similar measures by the competent authority for violating laws, regulations and/or regulatory requirements;
- (8) The Pledgor or its related parties are included in the sanctions list of the United Nations, the European Union or the United States, or their countries and regions are included in the sanctions list of the United Nations, the United States or the United States.

4.7 The Pledgor shall actively exercise its rights as a shareholder to maintain the value of the Shares. Without the written consent of the Pledgee, the exercise of shareholders' rights shall not be waived.

4.8 The Pledgor shall assist the Pledgee in realizing the pledge rights without setting any obstacles.

4.9 Until the Debtor pays off all debts under the principal contract to the Pledgee, the Pledgor shall not exercise the right of recourse against the Debtor or other guarantors due to the performance hereof.

4.10 If the Pledgee and the Debtor change the principal contract, the Pledgor shall still bear the pledge responsibility. However, without the written consent of the Pledgor to increase the contract amount, change the contract currency, raise the interest rate or extend the repayment period for non-legal reasons, the Pledgor shall only bear the pledge responsibility according to the original amount, currency, interest rate and time limit.

4.11 Before the Debtor pays off all debts under the principal contract in full, if the Debtor becomes the shareholder or its actual controller of the Pledgor, the Pledgor will immediately notify the Pledgee and provide the resolution of the Shareholders' Meeting (Shareholders' Meeting) on agreeing to provide guarantee.

4.12 The Pledgor guarantees to abide by the national anti-money laundering laws, regulations and relevant policies, not engage in activities involving money laundering and terrorist financing, and actively cooperate with the Pledgee to ensure various anti-money laundering such as customer identification, transaction record keeping, large-value and suspicious transaction reporting, etc.

4.13 The Pledgor guarantees that the Pledgor and the Pledgor's employees and agents will not provide, give, ask for or accept any form of material benefits (including but not limited to cash, physical cards, travel service, etc.) or other non-material benefits to the Pledgee or the Pledgee's employees in any form except as agreed in the Contract, not to use the funds or services provided by the Pledgee in any form, directly or indirectly, for activities related to corruption or bribery. If the Pledgor knows any violation of this Article, he or she shall provide clues and relevant information to the Pledgee in a timely, truthful, complete and accurate manner, and cooperate to handle relevant matters according to the requirements of the Pledgee.

▲▲ Article 5 Realization of Pledge Right

5.1 In case of any of the following circumstances, the Pledgee shall have the right to auction and sell the equity according to law, and shall have priority in compensation with the proceeds:

(1) The Debtor fails to repay all or part of the loan, the principal of the financing fund or the advance payment of the Pledgee or the corresponding interest in full and on time;

(2) The Pledgor fails to provide additional security as agreed in Article 4.2.

The proceeds from auction and sale of equity shall be used to pay off the pledged creditor's rights and related expenses. If there are unexpired creditor's rights, the proceeds shall be used to pay off the principal, interest and expenses of creditor's rights in advance. Where the Pledgee receives a written notice from the Pledgor that the Pledgor does not agree to pay off the proceeds in advance before the completion of the auction or sale, the Pledgee shall deposit the proceeds into the deposit account designated by the Pledgee. These funds will be transferred to the Pledgee for possession from the date of deposit in the margin account. The principal and interest of these funds will provide pledge guarantee for all the creditor's rights of the Pledgee under the principal contract. Before the debts under the principal contract are fully paid off, the Pledgor shall not use them without the consent of the Pledgee. When the debts expire, the Pledgee has the right to deduct the funds. The pledge scope of the aforesaid margin pledge is the same as that agreed in Article 2.1 hereof.

5.2 The Pledgor agrees: If the principal contract is secured by the guarantee, mortgage or pledge provided by the Debtor or a third party at the same time, the Pledgee has the right to decide the exercise of the security right at its own discretion, including but not limited to: the Pledgee has the right to exercise the pledge right directly without claiming the right against other guarantors in advance, and has the right to claim part or all of the guarantee right against one or more guarantors including the Pledgor separately or simultaneously, regardless of sequence. If the Pledgee waives or alters the guarantee right to other guarantors, or the order of the real right for pledge, the Pledgor shall still bear the pledge responsibility according to the Contract without any exemption hereof.

5.3 The Pledgor agrees: If the pledged equity is the equity of a listed company, when the pledge right is realized as agreed in Article 5.1 under the Contract, the Pledgee shall apply to China Securities Depository and Clearing Co., Ltd. unilaterally for the adjustment of the registration status of securities pledge, and adjust the registration status of equity pledge from "unsold pledge registration" to "sold pledge registration". If the Pledgee unilaterally applies to China Securities Depository and Clearing Co., Ltd. for the adjustment of securities pledge registration status, it shall be deemed that the Pledgor has known and agreed to adjust securities pledge registration status. The Pledgor shall provide the materials and documents required for the aforesaid pledge status adjustment as required by the Pledgee.

▲▲Article 6 Pledge Clause

6.1 If the pledge right is not established or invalid due to the following reasons, the Pledgor shall bear joint and several liability for the debts of the Debtor under the principal contract:

- (1) The Pledgor fails to go through the pledge registration formalities;
- (2) The statements and warranties made by the Pledgor under Article 3 are untrue;
- (3) Due to other reasons of the Pledgor.

6.2 The scope of the Pledgor's pledge is the principal and interest, compound interest, penalty interest, liquidated damages, damages, and the expenses of the Pledgee for keeping the pledged property and realizing the creditor's rights under the principal contract. The expenses for realizing creditor's rights include but are not limited to collection fees, legal fees (or arbitration fees), preservation fees, announcement fees, execution fees, attorney fees, travel expenses and other expenses.

6.3 The pledge period shall be two years from the date of expiration of the debt performance period (under the bank acceptance bill/letter of credit/guarantee/standby letter of credit, it is the date of advance payment by creditors).

If the principal contract stipulates that the Debtor can perform the repayment obligations in installments, the guarantee period shall be calculated separately according to the repayment obligations of each period, starting from the expiration date of each period of debt performance (It is the date of creditor's advance payment) and ending two years after the expiration date of the last period of debt performance (It is the date of creditor's advance payment).

If the creditor announces that all the debts under the principal contract are due in advance, the announced early maturity date shall be the expiration date of the debt performance period.

6.4 The validity of this warranty clause is independent of other clauses of the Contract, and the effective condition of this warranty clause is that the pledge right under the Contract is not established or invalid due to the reasons listed in Article 6.1.

Article 7 Notification

7.1 The contact information (including mailing address, contact telephone number, fax number, etc.) filled in by the Pledgor in the Contract is true and valid. In case of any change of contact information, the Pledgor shall immediately send/deliver the change information in writing to the mailing address filled in by the Pledgee in the Contract. Such information changes shall take effect after the Pledgee receives the change notice.

7.2 Unless otherwise expressly agreed in the Contract, the Pledgee shall have the right to give any notice to the Pledgor by any of the following means. The Pledgee shall have the right to choose such means of notification as it deems appropriate and shall not be liable for any transmission error, omission or delay in postal, facsimile, telephone or any other communication system. If the Pledgee chooses multiple notification methods at the same time, the one that reaches the Pledgor faster shall prevail.

(1) The announcement shall be deemed as the delivery date on which the Pledgee issues the announcement on its website, online banking, telephone banking or business outlets;

(2) Delivery by hand shall be regarded as the service date on which the Pledgor signs for it;

(3) Delivery by post (including express mail, ordinary mail and registered mail) at latest known mailing address of the Pledgor to the Pledgee's knowledge shall be regarded as the service date on the 3rd day (in the same city)/5th day (in different regions) after the mailing date;

(4) Delivery by fax, mobile phone short message or other electronic communication at the latest known fax No. to the Pledgee's knowledge, mobile phone No. or e-mail address designated by the Pledgee shall be deemed as the service date.

7.3 The Pledgor agrees that unless the Pledgee receives the Pledgor's written notice of changing the mailing address, the mailing address filled in by the Pledgor in the Contract is the address where the court serves judicial documents and other written documents to the Pledgor. In the process of dispute settlement under the Contract, if the court delivers judicial documents or other written documents by post (including express mail, ordinary mail and registered mail) to the latest known mailing address of the Pledgor to the Pledgee's knowledge, the signing date of the Pledgor on the service receipt shall be the service date. If the Pledgor fails to sign for the receipt of service, the 3rd day (in the same city)/5th day (in different regions) after the mailing date shall be regarded as the service date.

In addition to the judgment, ruling and mediation, the court has the right to make any notice to the Pledgor by any means of communication as agreed in Article 7.2. The Court shall have the right to choose such means of communication as it thinks fit and shall not be liable for transmission errors, omissions or delays in postal, facsimile, telephone, telex or any other communication system. If the court chooses multiple modes of communication at the same time, the one that reaches the Pledgor faster shall prevail.

▲Article 8 Information Disclosure and Confidentiality

8.1 For the Pledgor's undisclosed information and materials obtained and known by the Pledgee during the signing and performance of the Contract, the Pledgee shall not violate laws, regulations and regulatory requirements in using relevant information and materials, and shall bear the responsibility of confidentiality according to law and shall not disclose such information and materials to third parties, except for the following circumstances:

(1) Disclosure required by applicable laws and regulations;

(2) The judicial administrations or regulatory agency requires disclosure according to law;

(3) When the Pledgor fails to assume the guarantee responsibility as agreed, the Pledgee shall disclose to the Pledgee's external professional consultant and allow the Pledgee's external professional consultant to use it on the basis of confidentiality in order to realize the pledge right under the Contract;

(4) The Pledgor agrees or authorizes the Pledgee to make disclosure.

8.2 The Pledgor confirms that it has signed the *Authorization Letter for Credit Information Inquiry and Provision*. The Pledgee shall inquire, use and preserve the Pledgor's credit information within the scope specified in the power of attorney.

8.3 Except as provided in Article 8.1 and 8.2 hereof, the Pledgor further agrees that Bank of Communications Co., Ltd. may use or disclose the Pledgor's information and materials under the following circumstances, including but not limited to the Pledgor's basic information, credit transaction information, bad information and other relevant information and materials, and is willing to bear all the consequences arising therefrom:

To the outsourcing institutions, third-party service providers, other financial institutions and other institutions or individuals deemed necessary by the Pledgee for the following purposes, including but not limited to other branches of Bank of Communications Co., Ltd., or a subsidiary wholly or partially owned by Bank of Communications Co., Ltd., it discloses and allows them to use such information and materials on the basis of confidentiality: ① To carry out or be related to bank credit business, such as promoting the credit business of Bank of Communications Co., Ltd., collecting the Pledgor's arrears, transferring the creditor's rights of bank credit business, etc.; (2) Providing or possibly providing new products or services or further providing services for the Pledgee to the Pledgor.

Whether Article 8.3 is applicable or not shall be subject to the agreement of both parties in Article 13 hereof.

Article 9 Dispute Resolution

The Contract shall be governed by the laws of the People's Republic of China (excluding the laws of Hong Kong, Macao and Taiwan for the purposes of the Contract). Disputes under the Contract shall be brought to the court with jurisdiction in the place where the Pledgee is located, except as otherwise agreed in the terms of "other agreed matters" hereof. During the dispute period, all parties shall continue to perform the undisputed clauses.

Article 10 Miscellaneous

10.1 The Pledgor has carefully read the Principal Contract and confirmed all the terms and conditions.

10.2 The List of Pledged Equity attached hereto is an integral part of the Contract.

10.3 The Contract shall come into effect as of the date when all the following conditions are met: (1) Signature (or seal) and official seal of the legal representative (person in charge) or authorized representative of the Pledgor. If the shareholder is a natural person, the Pledgor shall sign it; (2) The person in charge or authorized representative of the Pledgee shall sign (or seal) and affix the company seal.

Article 11 Guaranteed Principal Contract and Principal Creditor's Rights

11.1 The guaranteed Debtor is Shaoguan Angrui Environmental Technology Development Co., Ltd.

11.2 Contract number of the principal contract guaranteed by this contract: Yuejiao Yinshao 2019 Fixed Asset Loan No. 002 Name: Fixed Assets Loan Contract.

11.3 The pledged principal creditor's rights are the principal under the principal contract: CNY 80 million only, and other specific contents are agreed in the principal contract (including the Application for Quota Use under the principal contract or documents with other names signed by both the Pledgee and the Debtor).

Article 12 Contact Information

The Pledgor's contact information for receiving the notice agreed in Article 7 includes:

Address: Room 7953, Building 2, No.1800 Panyuan Highway, Changxing Town, Chongming District, Shanghai

To: Li Jingquan

Postal Code: 202150

Tel: [*]

Mobile phone number: [*]

Fax: [*]

E-mail address: _____

Article 13 Other agreed matters

13.1 It is agreed that the Contract shall apply Article 8.3.

13.2 The parties agree to amend the court of jurisdiction over the dispute agreed in Article 9 of the Contract (i.e., "the court with jurisdiction in the place where the Pledgee is located") as:

_____/_____

Article 14 The Contract is made in quadruplicate, one for each party.

Pledgor: Shanghai Onway Environmental Development Co., Ltd.

Legal Representative (Person in Charge): Peng Wenlie

Certificate Type: Business License Certificate No.: 91310000322311813W

Legal (household registration) address: Room 7953 Building 2, No.1800 Panyuan Highway, Changxing Town, Chongming District, Shanghai

Pledgee: Shaoguan Branch of Bank of Communications Co., Ltd.

Person in charge: Gao Yan

Address: No. 27 Gongye Middle Road, Wujiang District, Shaoguan City.

The Pledgor has read through all the terms of the Contract, and the Pledgee has made a detailed explanation at the request of the Pledgor. When the Pledgor signs this Contract, it will have no doubts and objections, and understand the meaning and legal consequences of the contract clauses, especially those marked with ▲▲.

(There is no text below)

Pledgor: Shanghai Onway Environmental Development Co., Ltd.

Legal representative (responsible person) or authorized representative
(Signature or Seal)

/s/ Peng Wenlie

Signed on: August 29, 2019

Pledgee: Special Seal for Credit Business Contract of Shaoguan Branch
of Bank of Communications Co., Ltd.

Responsible person or authorized representative
(Signature or Seal)

/s/ Gao Yan

Signed on: August 29, 2019

Clause of co-owner declaration (applicable to the case where the pledged property has a co-owner):

I (name: _____ ID type _____ ID No. _____
_____ is the pledge owner. _____ I have carefully read and confirmed all the terms of the Contract, know and agree
that the Pledgor will provide guarantee to the Pledgee with equity.

Signature of co-owner:

Date:

List of Pledged Equity of Shaoguan Branch of Bank of Communications Co., Ltd.

August 29, 2019

Name of Pledgor: Shanghai Onway Environmental Development Co., Ltd.			
Principal Contract No.:		Pledge Contract No.:	
Yuejiao Yinshao 2019 Fixed Asset Loan No. 002		Yue Jiaoyin Shao Gong 2019 Guzhizi No. 002	
S/N	Name of invested company	Nature of the invested company	Share (number of shares)
1	Shaoguan Angrui Environmental Technology Development Co., Ltd	Limited liability company	14,675,200
Pledgor's Company Seal/Signature:		Pledgee's Company Seal:	
Shanghai Onway Environmental Development Co., Ltd.		Special Seal for Credit Business Contract of Shaoguan Branch of Bank of	
/s/ Peng Wenlie		Communications Co., Ltd.	
Handled by:		Handled by:	

Loan Agreement

Party A: Shenzhen Qianhai Feishang Environmental Investment Co., Limited (hereinafter referred to as "Party A")

Legal representative: Li Zongyang

Address: Room 201, Building A, 1 Qianwan Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen city

Party B: Shenzhen Chaopeng Investment Co., Limited (hereinafter referred to as "Party B")

Legal representative: Li Ke

Address: B513-C2, Rongchao Economic and Trade Center, 4028 Jintian Road, Fuzhong Community, Lianhua Street, Futian District, Shenzhen city

In accordance with the principle of equality, fairness and justice, Party A and Party B enter into the following loan agreement after friendly negotiation:

Article 1: Amount and Purpose of the Loan

Party A agrees to provide Party B with a loan of RMB80 million to meet Party B's working capital requirements.

Article 2: Period of the Loan

The loan period is one year. The loan period shall start from the date when Party B receives the loan from Party A. If Party B needs to extend the loan period, it shall be agreed by Party A and both parties shall re-negotiate and renew the loan agreement.

Article 3: Interest Rate and Interest of the Loan

The loan bears a fixed interest rate of 9% per annum. Upon expiration of the loan, Party B shall repay the principal and interest in a lump sum.

Article 4: Guarantee

The principal and interest of the loan shall be guaranteed and jointly repaid by Shenzhen Feishang Investment Co., Limited. Please refer to *Irrevocable Letter of Guarantee for Joint and several liability* for details.

Article 5: Miscellaneous

- (1) This loan agreement is made in triplicate, which shall come into force after being signed and sealed by both parties. Each party holds one copy and the guarantor holds one copy.
- (2) For other matters not covered herein, both parties shall negotiate based on the principle of friendship, equality and fairness.

Party A: Shenzhen Qianhai Feishang Environmental Investment Co., Limited (Seal)

Legal representative or authorized representative: /s/Li Zongyang

Date: June 30, 2021

Party B: Shenzhen Chaopeng Investment Co., Limited (Seal)

Legal representative or authorized representative: /s/ Li Ke

Date: June 30, 2021

Irrevocable Letter of Guarantee for Joint and Several Liability

To: Shenzhen Qianhai Feishang Environmental Investment Co., Limited (“Your Company”)

Your Company and Shenzhen Chaopeng Investment Co., Ltd. (“the Guaranteed”) have signed the Loan Agreement on June 30, 2021, pursuant to which the Guaranteed shall borrow RMB80 million from Your Company, with an annual interest rate of 9% and a term of one year. Upon the expiration of the loan, the principal and interest shall be repaid in a lump sum.

Shenzhen Feishang Investment Co., Limited (“the Guarantor”) voluntarily assumes joint and several liability for the repayment of the principal and interest of the Guaranteed in the Loan Agreement and promises to be jointly and severally liable for the repayment if the Guaranteed makes any breach of the Loan Agreement. The matters related to the guarantee are hereby confirmed as follows:

1. This Letter of Guarantee is an irrevocable, independent letter of guarantee, and its validity is not affected by the validity of the Loan Agreement.
2. This Letter of Guarantee shall be deemed to be valid once it has been made, and shall not be revoked without Your Company’s written consent.
3. The guarantee scope of this Letter of Guarantee is the principal debt, interest, liquidated damages, damages of the Guaranteed under the Loan Agreement and all expenses (including but not limited to litigation costs, property preservation fees, attorney fees, travel expenses, execution fees, assessment fees and auction fees) incurred by Your Company to realize the creditor's rights (including the secured creditor's rights).
4. The guarantee period of this Letter of Guarantee is one year after the expiration of the performance period of all debts incurred by the Guaranteed in the Loan Agreement.
5. This Letter of Guarantee shall be governed by the laws of the People's Republic of China. Any dispute arising from this letter of guarantee shall be settled in the manner agreed in the Loan Agreement. This Letter of Guarantee is an integral part of the Loan Agreement and has the same effect as the Loan Agreement.

Guarantor: Shenzhen Feishang Investment Co., Limited (Seal)

Legal representative (signature): /s/ Zhang Jian

June 30, 2021

Subsidiaries of the Registrant

<u>Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage Ownership (Direct Parent)</u>
Bayannaocer City Feishang Mining Company Limited	People's Republic of China	100% (held by Yangpu Shuanghu Industrial Development Co., Limited)
China Coal Mining Investment Limited	Hong Kong Special Administrative Region	100% (held by Registrant)
Feishang Dayun Coal Mining Limited	Hong Kong Special Administrative Region	100% (held by Pineboom Investments Limited)
Feishang Mining Holdings Limited	British Virgin Islands	100% (held by Registrant)
Feishang Yongfu Mining Limited	Hong Kong Special Administrative Region	100% (held by Newhold Investments Limited)
FMH Corporate Services Inc.	Florida, the United States	100% (held by Registrant)
Newhold Investments Limited	British Virgin Islands	100% (held by Registrant)
Pineboom Investments Limited	British Virgin Islands	100% (held by Registrant)
Precise Space-Time Technology Limited	Hong Kong Special Administrative Region	100% (held by Registrant)
Shanghai Onway Environmental Development Co., Limited	People's Republic of China	100% (held by Shenzhen Qianhai Feishang Environmental Investment Co., Limited)
Shaoguan Angrui Environmental Technology Development Co., Limited	People's Republic of China	55% (held by Shanghai Onway Environmental Development Co., Limited)
Shenzhen Feishang Management and Consulting Co., Limited	People's Republic of China	100% (held by Yunnan Feishang Mining Co., Limited)
Shenzhen New Precise Space-Time Technology Co., Limited	People's Republic of China	100% (held by Precise Space-Time Technology Limited)
Shenzhen Qianhai Feishang Environmental Investment Co., Limited	People's Republic of China	100% (held by Shenzhen New Precise Space-Time Technology Co., Limited)
Silver Moon Technologies Limited	British Virgin Islands	80% (held by Registrant)
Sunwide Capital Limited	British Virgin Islands	100% (held by Registrant)
Yangpu Shuanghu Industrial Development Co., Limited	People's Republic of China	100% (held by Feishang Yongfu Mining Limited)
Yunnan Feishang Mining Co., Limited	People's Republic of China	100% (held by Yangpu Shuanghu Industrial Development Co., Limited)
Zhejiang Xinyu Environmental Technology Co., Limited	People's Republic of China	100% (held by Shanghai Onway Environmental Development Co., Limited)

CERTIFICATION

I, Wong Wah On Edward, certify that:

1. I have reviewed this annual report on Form 20-F of China Natural Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

May 17, 2022

/s/ Wong Wah On Edward

Wong Wah On Edward
Chief Executive Officer

CERTIFICATION

I, Zhu Youyi, certify that:

1. I have reviewed this annual report on Form 20-F of China Natural Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

May 17, 2022

/s/ Zhu Youyi

Zhu Youyi
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of China Natural Resources, Inc. (the “Company”) for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wong Wah On Edward, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wong Wah On Edward

Wong Wah On Edward
Chief Executive Officer
May 17, 2022

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of China Natural Resources, Inc. (the “Company”) for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zhu Youyi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Zhu Youyi

Zhu Youyi
Chief Financial Officer
May 17, 2022

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form F-3 No. 333-233852) of China Natural Resources, Inc., and
- (2) Registration Statement (Form F-3 No. 333-252895) of China Natural Resources, Inc.;

of our report dated May 17, 2022, with respect to the consolidated financial statements of China Natural Resources, Inc. included in this Annual Report (Form 20-F) of China Natural Resources, Inc. for the year ended December 31, 2021.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China

May 17, 2022

FOR IMMEDIATE RELEASE

CHINA NATURAL RESOURCES REPORTS FULL YEAR 2021 RESULTS

HONG KONG, MAY 17, 2022 – China Natural Resources Inc. (NASDAQ: CHNR) (the “Company”) today announced its results of operations for the twelve months ended December 31, 2021. For the convenience of the reader, amounts in Chinese Yuan (“CNY”) have been translated into United States dollars (“US\$”) at the rate of US\$1.00 = CNY6.3559 as quoted by www.ofx.com on December 31, 2021.

Mr. Wong Wah On Edward, Chairman and Chief Executive Officer of the Company, commented, “We continued to make meaningful progress on the strategic diversification of our business in 2021. Our progress was, however, slowed by the COVID-19 pandemic, resulting shutdowns, logistic complications, and the steep global increase in operating costs and inflation. In addition, our operations in the rural wastewater treatment industry in 2021 resulted in a near-term reduction in our revenue level, but we believe our actions will be a catalyst for increased revenue growth and profitability. We are already seeing initial positive signs from our efforts to streamline our operations and our cost reduction plan, while at the same time focusing on continued exploration of the Moruogu Tong Mine. As we recently noted, we expect commodities prices to remain high, with demand continuing to outstrip supply. With even greater urgency placed on exploration opportunities and the potential for higher valuations of assets such as the Moruogu Tong Mine, we also recently announced plans to increase investments in the Moruogu Tong Mine. We are also evaluating other attractive business opportunities and believe that we will be able to further leverage our expertise and capital to create even greater value for shareholders.”

Financial Results for the Twelve Months Ended December 31, 2021

As of December 31, 2021, the Company had two operating segments: wastewater treatment and exploration and mining. Revenue for the twelve months ended December 31, 2021 was CNY18.74 million (approximately US\$2.95 million), as compared to revenue of approximately CNY42.50 million (approximately US\$6.69 million) for the twelve months ended December 31, 2020. The decrease in revenue was mainly caused by the completion of the construction phase of a public-private partnership wastewater treatment project in January 2021.

Net loss for the twelve months ended December 31, 2021 was approximately CNY54.97 million (approximately US\$8.65 million) as compared to net profit of approximately CNY22.92 million (approximately US\$3.61 million) for the twelve months ended December 31, 2020. The turn to loss in 2021 from profit in 2020 was mainly due to the recognition of fair value loss of approximately CNY38.35 million (approximately US\$6.03 million) in the twelve months ended December 31, 2021 and fair value gain of approximately CNY31.33 million (approximately US\$4.93 million) in the twelve months ended December 31, 2020, relating to the Company’s holdings in Feishang Anthracite Resources Limited, a company listed on the Hong Kong Stock Exchange, designated as financial assets at fair value through profit or loss, and the impact of warrants issued to institutional investors in a private placement in January 2021, which were designated as derivative financial liabilities.

The Company had a cash balance of approximately CNY58.36 million (approximately US\$9.18 million) at December 31, 2021.

On January 20, 2021, the Company entered into a Securities Purchase Agreement with certain institutional investors, pursuant to which the Company issued and sold on January 22, 2021, in a registered direct offering, an aggregate of 3,960,000 of its common shares at a price of US\$1.85 per share, and in a concurrent private placement, warrants initially exercisable for the purchase of an aggregate of 1,584,000 of its common shares with an initial exercise price of US\$2.35 per share. Because the changes in equity from this private placement transaction are dominated in US\$, the US\$ amount is the actual transaction amount and the corresponding CNY amount was translated from US\$ at the applicable exchange rate as of the transaction date, January 22, 2021.

About China Natural Resources:

China Natural Resources, Inc. (NASDAQ: CHNR), a British Virgin Islands corporation, through its operating subsidiaries in the People's Republic of China (the "PRC"), is currently engaged in the provision of equipment for rural wastewater treatment, engineering, procurement and construction services related to wastewater treatment in the PRC, the acquisition and exploitation of mining rights in Inner Mongolia, including preliminary exploration for nickel, lead, silver and other nonferrous metal, and is actively exploring further business opportunities in the healthcare sector, natural resources sector and other sectors.

Forward-Looking Statements:

This press release includes forward-looking statements within the meaning of the U.S. federal securities laws. These statements include, without limitation, statements regarding the intent, belief and current expectations of the Company, its directors or its officers with respect to: the impact of the Company's actions on its future financial performance; the Company's performance in the rural wastewater treatment industry in the PRC; the impact of rising commodity prices; the level of demand for nickel, lead, silver, lithium, copper and other precious minerals; the potential presence of minerals in the Moruogu Tong Mine; and the ability of the Company to extract any minerals found in the Moruogu Tong Mine in an economically viable manner. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Among the risks and uncertainties that could cause the Company's actual results to differ from its forward-looking statements are: the impact on the Company's financial position of its investment in the wastewater treatment sector of the PRC; the growth potential of the wastewater treatment and environmental protection industries in the PRC; possible downturns in the sectors that the Company may invest in; the results of the next assessment by the Staff of the Nasdaq Listing Qualifications department of the Company's compliance with the Nasdaq Listing Rules; uncertainties related to governmental, economic and political circumstances in the PRC; uncertainties related to metal price volatility; uncertainties related to the Company's ability to acquire a mining permit for the Moruogu Tong Mine; uncertainties regarding the ability to profitably extract minerals from the Moruogu Tong Mine, as well as the nature of any such minerals; uncertainties regarding the successful integration, costs, revenues and profitability associated with the Company's recently acquired wastewater treatment business; uncertainties related to the Company's ability to fund operations and planned capital expenditures; uncertainties related to possible future increases in operating expenses, including costs of labor and materials; uncertainties related to the impact of the COVID-19 pandemic; uncertainties related to the political situation between the PRC and the United States, and potential negative impacts on companies with operations in the PRC that are listed on exchanges in the United States; uncertainties relating to geopolitical turmoil or conflict; and other risks detailed from time to time in the Company's filings with the U.S. Securities and Exchange Commission. When, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis, but there can be no assurance that the stated expectation or belief will result or be achieved or accomplished. Except as required by law, the Company undertakes no obligation to update any forward-looking statements.

For more information please contact:

David Pasquale

Global IR Partners

New York Office Phone: +1-914-337-8801 or CHNR@GlobalIRPartners.com

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Amounts in thousands, except share and per share data)

	Year Ended December 31,			
	2020	2021	2020	2021
	CNY	CNY	US\$	US\$
	(As adjusted*)		(As adjusted*)	
Revenue	42,498	18,735	6,686	2,948
Cost of sales	(39,215)	(18,494)	(6,170)	(2,910)
Gross profit	3,283	241	516	38
Selling and distribution expenses	(758)	(922)	(119)	(145)
Administrative expenses	(18,853)	(22,869)	(2,966)	(3,598)
Other income/(losses)	1,616	(183)	254	(29)
OPERATING LOSS	(14,712)	(23,733)	(2,315)	(3,734)
Fair value gain/(loss) on financial instruments, net	31,334	(38,349)	4,930	(6,034)
Impairment losses on financial assets	(4,162)	(3,330)	(655)	(524)
Finance costs	(3,749)	(4,359)	(590)	(686)
Finance income	15,468	16,935	2,434	2,665
PROFIT/(LOSS) BEFORE INCOME TAX	24,179	(52,836)	3,804	(8,313)
INCOME TAX EXPENSE	(1,258)	(2,135)	(198)	(336)
PROFIT/(LOSS) FOR THE YEAR	22,921	(54,971)	3,606	(8,649)
ATTRIBUTABLE TO:				
Owners of the Company	24,336	(48,152)	3,829	(7,576)
Non-controlling interests	(1,415)	(6,819)	(223)	(1,073)
	22,921	(54,971)	3,606	(8,649)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:				
Basic and diluted				
- Earnings/(loss) per share	0.78	(1.18)	0.12	(0.19)

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2021
(Amounts in thousands)

	December 31,			
	2020	2021	2020	2021
	CNY	CNY	US\$	US\$
	(As adjusted*)		(As adjusted*)	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	1,203	715	189	112
Intangible assets	643	20,189	101	3,176
Right-of-use assets	3,560	2,351	560	370
Trade and bills receivable	31,676	9,501	4,984	1,495
Contract assets	111,689	91,035	17,573	14,323
Deferred tax assets	2,920	66	459	10
Other non-current assets	—	10	—	2
TOTAL NON-CURRENT ASSETS	151,691	123,867	23,866	19,488
CURRENT ASSETS				
Inventories	838	986	132	155
Trade and bills receivable	29,771	41,526	4,684	6,533
Contract assets	14,558	15,331	2,290	2,412
Prepayments	384	2,236	60	352
Other receivables	1,920	86,201	302	13,562
Due from related companies	123,893	—	19,493	—
Other current assets	6,747	4,942	1,062	778
Financial assets at fair value through profit or loss	143,674	—	22,605	—
Cash and cash equivalents	56,580	58,359	8,902	9,182
TOTAL CURRENT ASSETS	378,365	209,581	59,530	32,974
TOTAL ASSETS	530,056	333,448	83,396	52,462

CHINA NATURAL RESOURCES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2021
(Amounts in thousands)

	December 31,			
	2020	2021	2020	2021
	CNY	CNY	US\$	US\$
	(As adjusted*)		(As adjusted*)	
LIABILITIES				
CURRENT LIABILITIES				
Trade payables	28,621	21,118	4,503	3,321
Contract liabilities	690	690	109	108
Other payables and accruals	9,750	12,098	1,534	1,903
Income tax payable	18,612	9,254	2,928	1,456
Dividends payable	—	5,048	—	794
Interest-bearing loans and borrowings	3,000	3,000	472	472
Derivative financial liabilities	—	1,710	—	269
Lease liabilities	1,382	981	217	154
Due to related companies	79,459	5,710	12,502	898
Due to the Shareholder	7,149	14,050	1,125	2,211
TOTAL CURRENT LIABILITIES	148,663	73,659	23,390	11,586
NON-CURRENT LIABILITIES				
Deferred tax liabilities	10,426	2,544	1,640	401
Lease liabilities	2,168	1,208	341	191
Interest-bearing loans and borrowings	77,000	74,000	12,115	11,643
TOTAL NON-CURRENT LIABILITIES	89,594	77,752	14,096	12,235
TOTAL LIABILITIES	238,257	151,411	37,486	23,821
(DEFICIENCY IN ASSETS)/EQUITY				
Issued capital	419,091	450,782	65,938	70,924
Other capital reserves	787,987	719,110	123,977	113,141
Accumulated losses	(1,031,187)	(1,084,387)	(162,241)	(170,611)
Other comprehensive loss	(3,164)	(10,821)	(498)	(1,703)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	172,727	74,684	27,176	11,751
NON-CONTROLLING INTERESTS	119,072	107,353	18,734	16,890
TOTAL EQUITY	291,799	182,037	45,910	28,641
TOTAL LIABILITIES AND EQUITY	530,056	333,448	83,396	52,462

The consolidated statements of profits or loss of the Company for the years ended December 31, 2020 and 2021 and the consolidated statements of financial position of the Company as of December 31, 2020 and 2021 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated statements of profit or loss and the consolidated statements of financial position have been derived from and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2021 contained in the Company's Annual Report on Form 20-F as filed with the U.S. Securities and Exchange Commission on May 17, 2022.

* The Company restated the comparative financial statements for the year ended December 31, 2020 to account for a common control transaction (the acquisition of Precise Space-Time Technology Limited and its wastewater treatment business) using the pooling of interest method.