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

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

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

PUBLICATION OF OFFERING CIRCULAR

Huantaihu International Investment Co., Ltd.

环太湖国际投资有限公司

(incorporated with limited liability in the British Virgin Islands)

(the “Issuer”)

US\$200,000,000 7.3 per cent. Guaranteed Bonds due 2026

(the “Bonds”, Stock Code: 5691)

unconditionally and irrevocably guaranteed by



湖州经开集团

Huzhou Economic Development Group

Huzhou Economic Development Group Co., Ltd.

(湖州經開投資發展集團有限公司)

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

(the “Guarantor”)

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

China International Capital Corporation

Joint Lead Managers and Joint Bookrunners

**Guoyuan Securities
(Hong Kong)**

BOCOM International

**China Industrial
Securities International**

**China PA Securities
(Hong Kong)
Company Limited**

China Securities International

CMBC Capital

**Industrial Bank Co., Ltd.
Hong Kong Branch**

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

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 16 February 2023 published by the Issuer.

The offering circular dated 13 February 2023 in relation to the Bonds is appended to this announcement.

Hong Kong, 17 February 2023

As at the date of this announcement, the sole director of Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司 is Zhejiang Huzhou Huantaihu Group Co., Ltd.; the directors of Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司) are Shen Yuyu, Xia Jisheng, Sheng Jun, Wang Bingrong, He Fajun, Nie Ge and Zhu Qiang.

Appendix 1 – Offering Circular dated 13 February 2023

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS AND THE GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”).

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

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司 (the “**Issuer**”), Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司)(the “**Guarantor**” or the “**Company**”), China International Capital Corporation Hong Kong Securities Limited, Guoyuan Securities Brokerage (Hong Kong) Limited, BOCOM International Securities Limited, China Industrial Securities International Brokerage Limited, China PA Securities (Hong Kong) Company Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited and Industrial Bank Co., Ltd. Hong Kong Branch (the “**Joint Lead Managers**”) that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave the Joint Lead Managers and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of the Offering Circular by electronic transmission. To the extent you purchase the securities described in the attached Offering Circular, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions of the Bonds), the Agents (as defined in the Terms and Conditions of the Bonds) nor any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – certain intermediaries in the context of this offering of the Bonds, including certain Managers, are “capital market intermediaries” (together, the “**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). Please refer to the important notice contained in the Offering Circular.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

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

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



Huantaihu International Investment Co., Ltd.
环太湖国际投资有限公司

(incorporated with limited liability in the British Virgin Islands)

U.S.\$200,000,000 7.30 per cent. Guaranteed Bonds due 2026

Unconditionally and Irrevocably Guaranteed by

Huzhou Economic Development Group Co., Ltd.
(湖州經開投資發展集團有限公司)

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

Issue Price: 100.00 per cent.

The 7.30 per cent. guaranteed bonds in the aggregate principal amount of U.S.\$200,000,000 (the “**Bonds**”) will be issued by Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司 and will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司), a company incorporated under the laws of the People's Republic of China. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the terms and conditions of the Bonds (the “**Terms and Conditions of the Bonds**”)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Bonds will bear interest from and including 16 February 2023 at the rate of 7.30 per cent. per annum and such interest will be payable semi-annually in arrear in equal instalments on 16 February and 16 August in each year (each an “**Interest Payment Date**”), commencing on 16 August 2023. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law as further described in “*Terms and Conditions of the Bonds – Taxation.*”

The Guarantor will enter into a deed of guarantee (the “**Deed of Guarantee**”) on or around 16 February 2023 (the “**Issue Date**”). The Guarantor is required to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local counterparts (“**SAFE**”) the Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE (the “**Cross-Border Security Registration**”). The Guarantor shall use all reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 120 PRC Business Days after the Issue Date) and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 February 2026. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons.*” At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with any interest accrued to but excluding such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events.*”

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號))(the “**NDRC Circular**”) issued by the National Development and Reform Commission of the PRC (together with its local counterparts, the “**NDRC**”) on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 8 November 2022 evidencing such registration. The Guarantor shall file with the NDRC the requisite information and documents relating to the issue of the Bonds within ten PRC Business Days after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》) effective from 10 February 2023 (the “**NDRC Foreign Debt Measures**”) and any applicable implementation rules as issued by the NDRC from time to time and shall comply with all applicable PRC laws and regulation in connection with the Bonds (including but not limited to any related filing requirement under the NDRC Foreign Debt Measures).

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

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

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

The Bonds will not be rated.

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

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

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

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

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

China International Capital Corporation

Joint Lead Managers and Joint Bookrunners

Guoyuan Securities (Hong Kong)	BOCOM International	China Industrial Securities International	China PA Securities (Hong Kong) Company Limited	China Securities International	CMBC Capital	Industrial Bank Co., Ltd. Hong Kong Branch

Offering Circular dated 13 February 2023

IMPORTANT NOTICE

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

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Guarantor and its subsidiaries taken as a whole (collectively, the “**Group**”), and to the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Guarantee and the Bonds), (ii) the statements of facts contained in this Offering Circular relating to the Issuer, the Guarantor and the Group, are true and accurate and not misleading in any material respect, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, China International Capital Corporation Hong Kong Securities Limited, Guoyuan Securities Brokerage (Hong Kong) Limited, BOCOM International Securities Limited, China Industrial Securities International Brokerage Limited, China PA Securities (Hong Kong) Company Limited, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited and Industrial Bank Co., Ltd. Hong Kong Branch (the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the Guarantee or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee, the Agents, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds and the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merit and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

Except as otherwise indicated in this Offering Circular, all non-Group specific statistics and data relating to the industry or to the economic development of certain regions within the People’s Republic of China have been extracted or derived from publicly available information and industry publications. Such information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In

addition, third-party information providers who contributed to the publicly available information and industry publications may have obtained information from market participants and such information may not have been independently verified.

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

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS (THE “STABILISATION MANAGER”), OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER, MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMI^s). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group

company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMI in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgment and examination of the Issuer and the Guarantor and the Terms and Conditions of the Bonds, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

WARNING

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

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Company as at and for the years ended 31 December 2019, 2020 and 2021, which has been derived from the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 (the “**Audited Financial Statements**”) included elsewhere in this Offering Circular. The Audited Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) and have been audited by RSM China Certified Public Accountants LLP (“**RSM China**”), the independent auditor of the Company, in accordance with Auditing Standards for Chinese Certified Public Accountants.

This Offering Circular also contains consolidated financial information of the Company as at and for the six months ended 30 June 2021 and 2022, which has been derived from the unaudited but reviewed consolidated financial statements of the Company as at and for the six months ended 30 June 2022 (the “**Interim Financial Statements**”) included elsewhere in this Offering Circular. The Interim Financial Statements were prepared and presented in accordance with PRC GAAP and have been reviewed by RSM China in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements. The Interim Financial Statements have not been audited by a certified public accountant, and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group’s financial condition and results of operations. In addition, the Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2022.

PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Certain Differences Between PRC GAAP and IFRS*”.

CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the “**Issuer**” are to Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司, (ii) the “**Guarantor**” or “**Company**” are to Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司) and (iii) the “**Group**” are to the Guarantor and its direct and indirect subsidiaries, taken as a whole.

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

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.6981 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 June 2022. All such translations in this Offering Circular are provided solely for investors’ convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “*Exchange Rates*”.

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

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

- “**GDP**” refers to gross domestic product;
- “**MOF**” refers to the Ministry of Finance of the PRC;
- “**MOFCOM**” refers to the Ministry of Commerce of the PRC;
- “**NDRC**” refers to the National Development and Reform Commission of the PRC or its competent local counterparts;
- “**NPC**” refers to the National People’s Congress of the PRC;
- “**PBOC**” refers to the People’s Bank of China, the central bank of the PRC;
- “**PRC Government**” refers to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAT**” refers to the State Administration of Taxation of the PRC;
- “**State Council**” refers to the State Council of the PRC; and
- “**VAT**” refers to value-added tax.

FORWARD-LOOKING STATEMENTS

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

- general economic and political conditions and developments in the PRC and globally;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment, and in particular, PRC regulation relating to land development and infrastructure construction as well as environmental regulation and employee safety and labour protection regulations;
- changes in the laws, rules and regulations of the governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- the Group's business strategy and plan of operation;
- changes or volatility in currency exchange rates, interest rates, taxes and duties, equity prices or other rates or prices, including those pertaining to the PRC and the availability of credit;
- various business opportunities that the Group may pursue; and
- those other risks identified in the “*Risk Factors*” section of this Offering Circular.

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

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SUMMARY

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

OVERVIEW

The Group is the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District in Huzhou (湖州南太湖新區) (“**Nantaihu New District**”) as measured by total assets as at 30 June 2022. The Company is wholly owned by State-owned Assets Supervision and Administration Commission of the People’s Government of Huzhou City (湖州市人民政府國有資產監督管委員會) (“**Huzhou SASAC**”).

The Group principally engages in (i) primary land development, (ii) infrastructure construction contracting, which mainly involves affordable housing construction and infrastructure construction and development, (iii) commodity trading and (iv) ancillary businesses. Set out below is an overview of the business segments of the Group:

- **Primary Land Development:** Primary land development is one of the core business segments of the Group. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 19.2 per cent., 20.3 per cent., 20.7 per cent., nil and nil of the total revenue of the Group, respectively. The Group is a key land developer in Huzhou. As at 30 June 2022, approximately 91.22 square kilometres lands have been primarily developed by the Group.
- **Infrastructure Construction Contracting:** Infrastructure construction contracting has been the other core business segment of the Group. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 79.6 per cent., 32.9 per cent., 39.4 per cent., 38.3 per cent. and 63.1 per cent. of the total revenue of the Group, respectively. The Group’s infrastructure construction involves affordable housing construction, municipal roads, bridges, landscape engineering, piping networks and water supply.
- **Commodity Trading:** Leveraging its strong regional presence and various procurement channels, the Group started its commodity trading business in 2020. For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 44.3 per cent., 34.8 per cent., 57.4 per cent. and 27.4 per cent. of the total revenue of the Group, respectively. The Group carries out its commodity trading business mainly through its subsidiaries, Huzhou Ruizhong Trading Co., Ltd. (湖州睿眾貿易有限公司) and Huzhou Ruijing Trading Co., Ltd. (湖州睿璟貿易有限公司), which are primarily engaged in the commodity trading of agricultural and chemical products.
- **Ancillary Businesses:** The Group has been expanding its scope of businesses to diversify its sources of revenue. In addition to primary land development, infrastructure construction contracting and commodity trading businesses, the Group also engages in ancillary businesses, including housing sales, asset leasing and property management and other ancillary businesses.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths as outlined below distinguish it from its competitors and are important to its success and future development:

- Well-positioned to leverage the strategic location of Huzhou and economic prospects of Nantaihu New District;
- The largest and key state-owned primary land developer and infrastructure construction service provider in Nantaihu New District;
- Strategic relationship with the Nantaihu New District Management Committee and the People's Government of Huzhou City;
- Access to diversified financing channels; and
- Experienced management team with sound corporate governance.

BUSINESS STRATEGIES

The Group aims to maintain its leading position in implementing the People's Government of Huzhou City's blueprint of urban construction and rural development. In addition, it also plans to develop new business segments. Its goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. The Group intends to focus on the following strategies:

- To continue its focus on primary land development and infrastructure construction;
- To further diversify its business portfolio and develop senior care-related business;
- To continue to explore diverse financing channels and optimise the Group's debt structure; and
- To adhere to prudent financial management with stringent risk control.

RECENT DEVELOPMENT

Unaudited quarterly financial results of the Group for the nine months ended 30 September 2022 (the "2022 Quarterly Financial Statements")

Based on the Group's 2022 Quarterly Financial Statements, for the nine months ended 30 September 2022, the Group recorded a decrease in revenue and a corresponding decrease in cost of sales as compared to the same period last year. The decrease in revenue was primarily attributable to the slowdown of the Group's commodity trading business. As a result of the foregoing, the Group's profit from operations and net profit for the nine months ended 30 September 2022 decreased as compared to the same period in 2021.

As at 30 September 2022, the Group's total current assets increased as compared to the balance as at 31 December 2021 primarily due to significant increases in prepayments, other receivables and inventories which were partially offset by a decrease in accounts receivable. As at 30 September 2022, the Group's total non-current assets increased as compared to the balance as at 31 December 2021 primarily due to an increase in long-term equity investments. Total liabilities of the Group as at 30 September 2022 also increased, which was primarily attributable to increases in short-term borrowings, contract liabilities and long-term borrowings, as compared to their respective balances as at 31 December 2021.

The 2022 Quarterly Financial Statements are based on the Group's internal records and management accounts which have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed consolidated interim financial information is not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2022 or any period thereafter. Consequently, potential investors should not rely on such interim financial information to

evaluate the Group's financial condition and results of operations. For the avoidance of doubt, the 2022 Quarterly Financial Statements are not incorporated by reference herein and do not constitute part of this Offering Circular.

Issuance of Onshore Notes

On 13 December 2022, the Guarantor issued Renminbi denominated onshore medium term notes due 2027 in an aggregate principal amount of RMB300,000,000 (the “**2027 RMB MTN Notes**”). The 2027 RMB MTN Notes bear a fixed interest rate of 5.50 per cent. per annum with interests to be paid annually. As at the date of this Offering Circular, the entire principal amount of the 2027 RMB MTN Notes remains outstanding.

THE OFFERING

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

Issuer	Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司.
Guarantor	Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司).
Issue	U.S.\$200,000,000 7.30 per cent. guaranteed bonds due 2026.
Guarantee	The Guarantor will have unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in respect of the Bonds and the Trust Deed will be contained in the Deed of Guarantee.
Issue Price	100.00 per cent.
Form and Specified Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 16 February 2023 at the rate of 7.30 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$36.5 per Calculation Amount on 16 February and 16 August in each year (each an “ Interest Payment Date ”), commencing on 16 August 2023.
Issue Date	16 February 2023.
Maturity Date	16 February 2026.
Use of Proceeds	See the section entitled “ <i>Use of Proceeds</i> ”.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds.

Events of Default	Upon the occurrence of certain events as described in Condition 9 (<i>Events of Default</i>) of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If the Issuer or the Guarantor is required to make a deduction or withholding by or within the British Virgin Islands or the PRC (as applicable), the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required as further described in “<i>Terms and Conditions of the Bonds – Taxation</i>”.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 February 2026.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 (<i>Notices</i>) of the Terms and Conditions of the Bonds (which notice shall be irrevocable) at their principal amount together with any interest accrued to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in “ <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons</i> ”.
Redemption for Relevant Events	At any time following the occurrence of a Change of Control or a No Registration Event (each a “ Relevant Event ”), the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with any interest accrued to but excluding such Put Settlement Date. See “ <i>Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events</i> ”.

Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for compliance with the requirements set out in the Terms and Conditions of the Bonds in relation to the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds subject to compliance with the conditions set out in the Terms and Conditions of the Bonds and the Trust Deed. See “ <i>Terms and Conditions of the Bonds – Further Issues</i> ”.
Clearing Systems	The Bonds will be evidenced initially by the Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds will not be issuable in bearer form.
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent. .	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent.	The Bank of New York Mellon SA/NV, Dublin Branch.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the HKSE will commence on 17 February 2023.
ISIN	XS2540489338.
Common Code.	254048933.
LEI.	300300WAYXC7AOZ1OW72.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated. The consolidated financial information of the Group as at and for the years ended 31 December 2019, 2020 and 2021 has been derived from the Audited Financial Statements. The consolidated financial information of the Group as at and for the six months ended 30 June 2021 and 2022 has been derived from the Interim Financial Statements. The Group's Financial Statements were prepared and presented in accordance with PRC GAAP. The Audited Financial Statements have been audited by RSM China, the Group's independent auditor, in accordance with Auditing Standards for Chinese Certified Public Accountants. The Interim Financial Statements have been reviewed by RSM China, the Group's independent auditor, in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements.

The Interim Financial Statements have not been audited by a certified public accountant, and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. In addition, the Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2022.

PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences Between PRC GAAP and IFRS".

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

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
		(Audited)	(RMB in '000)	(Unaudited but reviewed)	
Revenue	2,661,219.6	3,091,862.6	2,420,303.0	1,334,154.2	955,731.5
Less: Costs of sales	2,367,992.3	2,838,253.1	2,174,971.2	1,247,735.1	835,269.2
Taxes and surcharges	15,672.3	16,671.1	12,636.6	7,666.0	10,448.0
Selling and distribution expenses . .	187.6	2,442.1	3,013.4	1,648.2	1,273.0
General and administrative expenses	71,478.8	133,203.2	152,291.7	66,101.9	85,865.2
Finance costs	58,657.8	128,367.9	146,185.6	76,449.4	93,391.1
Including: Interest expenses	60,803.3	129,913.9	167,526.9	91,444.6	100,209.2
Interest income	19,927.6	34,738.8	37,950.4	18,400.7	24,565.8
Add: Other income	378,950.7	379,047.4	424,136.6	143,010.2	140,395.6
Investment income/(loss)	8,746.0	13,092.0	5,711.4	(52.8)	3,267.6
Including: Investment income from					
associates and joint ventures . . .	5,759.9	11,225.9	(271.4)	(52.8)	(1.0)
Gain from changes in fair values . .	17,044.4	64,723.2	26,043.0	—	—
Credit impairment losses	—	—	(21,551.1)	(9,459.1)	(27,953.2)
Impairment loss of assets	(8,311.5)	2,674.6	—	—	—
Gains from disposal of assets	68.7	—	—	—	—
Profit/(loss) from operations	543,729.1	432,462.3	365,544.3	68,052.0	45,195.0
Add: Non-operating income	403.8	1,329.5	223.6	204.6	601.2
Less: Non-operating expenses	412.0	7,605.8	794.9	854.8	5.1
Profit/(loss) before tax	543,721.0	426,186.0	364,973.0	67,401.8	45,791.1
Less: Income tax expenses	37,364.0	27,735.5	6,814.5	(2,176.6)	(6,203.8)
Net Profit/(loss) for the year	506,357.0	398,450.5	358,158.5	69,578.4	51,994.9
Net profit/(loss) attributable to owners of					
the parent company	506,373.2	398,867.4	354,815.1	70,037.8	57,231.1
Net profit/(loss) attributable to non-					
controlling interests	(16.2)	(416.9)	3,343.4	(459.4)	(5,236.2)
Other comprehensive income/(loss) for					
the year, after tax	(5,079.1)	88,731.8	31,511.0	4,011.9	(23,018.9)
Other comprehensive income/(loss) for the					
year attributable to owners of the parent					
company	(5,079.1)	88,731.8	31,511.0	4,011.9	(23,018.9)
Other comprehensive income/(loss) for the					
year attributable to non-controlling					
interests	—	—	—	—	—
Total comprehensive income	501,278.0	487,182.3	389,669.5	73,590.3	28,976.0
Total comprehensive income attributable to					
owners of the parent company	501,294.1	487,599.2	386,326.1	74,049.8	34,212.2
Total comprehensive income attributable to					
non-controlling interests	(16.2)	(416.9)	3,343.4	(459.4)	(5,236.2)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2019	2020	2021	2022
		(Audited)		(Unaudited but reviewed)
		(RMB in '000)		
Current assets				
Cash and cash equivalents	3,630,083.5	4,915,243.8	4,213,825.7	5,157,229.4
Held-for-trading financial assets	–	–	135,774.5	205,774.5
Notes receivable	–	40,000.0	–	30,000
Accounts receivable	569,448.0	1,037,337.4	1,664,287.6	1,409,842.2
Prepayments	38.9	1,406.7	621,453.3	687,820.8
Other receivables	10,283,866.4	9,997,342.5	11,825,205.5	12,333,143.6
Including: Interest receivable	–	63,559.2	–	–
Inventories	33,368,555.3	37,954,098.3	41,673,234.1	43,010,559.2
Other current assets	5,325.0	6,671.9	49,683.2	188,742.7
Total current assets	47,857,317.1	53,952,100.6	60,183,463.9	63,023,112.4
Non-current assets				
Available-for-sale financial assets	167,640.0	496,294.9	–	–
Long-term receivables	1,308,117.8	697,716.3	156,681.5	156,681.5
Long-term equity investments	381,093.9	1,440,419.7	1,556,730.2	2,010,079.2
Other equity instrument investments	–	–	289,048.0	291,548.0
Other non-current financial assets	–	–	591,003.3	594,244.2
Investment properties	1,538,131.6	2,100,033.3	2,413,040.1	2,460,660.7
Property, plant and equipment	80,870.4	674,351.3	1,858,024.3	1,893,204.6
Construction in progress	72,129.2	183,844.6	236,352.5	610,353.9
Intangible assets	81,888.6	78,486.1	68,557.4	274,601.7
Research and development expenditure	–	–	–	90,876.2
Long-term deferred expenses	113,397.2	119,896.1	134,776.9	136,575.4
Deferred tax assets	12,821.4	12,141.9	25,134.3	31,907.7
Other non-current assets	–	1,292,965.0	887,414.9	898,052.1
Total non-current assets	3,756,090.1	7,096,149.2	8,216,763.5	9,448,785.2
Total assets	51,613,407.2	61,048,249.9	68,400,227.4	72,471,897.5
Current liabilities				
Short-term borrowings	1,849,300.0	3,972,000.0	3,883,094.6	5,445,193.8
Notes payable	260,000.0	79,450.0	24,335.1	–
Accounts payable	214,768.5	430,661.5	860,583.3	885,296.8
Advances from customers	4,027.2	297,304.6	17,263.7	20,606
Contract liabilities	–	–	253,529.7	174,994.6
Employee benefits payable	225.3	470.9	1,155.5	578.6
Taxes payable	261,511.5	283,843.7	285,550.1	290,662.4
Other payables	1,588,712.6	1,637,425.5	1,553,734.6	870,081.5
Including: Interest payable	–	344,820.6	–	–
Dividend payable	–	–	947.2	947.2
Non-current liabilities maturing within one year	10,319,843.1	9,444,871.0	11,286,058.0	8,264,102.1
Other current liabilities	300,974.4	–	11,232.4	72,219.5
Total current liabilities	14,799,362.8	16,146,027.2	18,176,537.0	16,023,735.4
Non-current liabilities				
Long-term borrowings	13,030,336.9	11,607,496.6	6,545,995.9	9,686,379.6
Bonds payable	3,665,583.9	7,537,010.3	13,276,590.3	14,233,039.1
Long-term payables	1,431,713.6	3,158,226.3	5,523,731.0	5,620,605.6
Deferred tax liabilities	178,696.0	210,799.7	224,659.2	224,659.2
Other non-current liabilities	800,000.0	2,548,980.6	1,506,053.4	2,006,575.8
Total non-current liabilities	19,106,330.4	25,062,513.5	27,077,029.9	31,771,259.3
Total liabilities	33,905,693.1	41,208,540.8	45,253,566.9	47,794,994.7

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(Audited)			(Unaudited but reviewed)
	(RMB in '000)			
Owners' equity				
Paid-in capital	200,000.0	500,000.0	500,000.0	500,000.0
Other equity instruments	350,000.0	–	500,000.0	900,000.0
Including: Perpetual bonds	–	–	500,000.0	900,000.0
Capital reserves	13,884,206.9	14,291,098.2	16,939,993.0	18,027,959.4
Other comprehensive income	344,942.7	433,674.5	465,185.5	442,166.6
Surplus reserves	206,932.0	206,932.0	203,475.1	203,475.1
Retained earnings	2,613,298.6	2,989,416.0	3,275,375.3	3,332,606.4
Total owner's equity attributable to the parent company . .	17,599,380.2	18,421,120.8	21,884,028.9	23,406,207.5
Non-controlling interests	108,333.8	1,418,588.3	1,262,631.6	1,270,695.4
Total owners' equity	17,707,714.0	19,839,709.1	23,146,660.5	24,676,902.9
Total liabilities and owners' equity	51,613,407.2	61,048,249.9	68,400,227.4	72,471,897.5

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(Audited)			(Unaudited but reviewed)	
	(RMB in '000)				
Net cash used in operating activities	(3,712,407.9)	(2,285,216.3)	(3,784,801)	(2,273,063.0)	(1,155,636.5)
Net cash generated from/(used in)					
investing activities	83,441.7	(2,622,291.9)	(952,158.6)	(820,422.4)	(1,130,463.4)
Net cash generated from financing					
activities	3,679,751.7	5,341,077.2	4,893,295.5	4,956,586.8	3,506,686.6
Effect of foreign exchange rate changes on					
cash and cash equivalents	4,393.1	(22,451.5)	(1,283.5)	3,429.1	–
Net increase/(decrease) in cash and					
 cash equivalents	55,178.5	411,117.5	155,052.1	1,866,530.5	1,220,586.6
Cash and cash equivalents at the beginning					
of the period	1,554,284.8	1,609,463.3	2,020,580.8	1,757,580.8	2,175,632.8
Cash and cash equivalents at the end of					
 the period	1,609,463.3	2,020,580.8	2,175,632.8	3,624,111.2	3,396,219.5

OTHER FINANCIAL DATA

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2019	2020	2021	2021	2022
			(Unaudited)		
EBITDA ⁽¹⁾ (RMB in '000)	640,243.3	594,296.8	590,191.2	176,146.4	204,078.1
EBITDA margin ⁽²⁾ (per cent.)	24.1	19.2	24.4	13.2	21.4
Total indebtedness ⁽³⁾ (RMB in '000)	31,116,679.3	37,955,049.5	41,360,221.0	N/A	44,594,593.7
Net indebtedness ⁽⁴⁾ (RMB in '000)	27,486,595.8	33,039,805.7	37,146,395.3	N/A	39,437,364.3
Total indebtedness/EBITDA	48.6	63.9	70.1	N/A	218.5
Net indebtedness/EBITDA	42.9	55.6	62.9	N/A	193.2
Total liabilities/Total assets (per cent.)	0.7	0.7	0.7	N/A	0.7

Notes:

- (1) EBITDA for any period is calculated as net profit for the year or the period plus income tax expenses, finance costs, depreciation of property, plant and equipment, investment properties, oil and gas assets and productive biological assets, amortisation of intangible assets and amortisation of long-term deferred expenses. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and the Group's ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.
- (2) EBITDA margin is calculated as EBITDA divided by total operating revenue.
- (3) Total indebtedness consists of short-term borrowings, non-current liabilities maturing within one-year, interest-bearing portion of other current liabilities, long-term borrowings, bonds payable, interest-bearing portion of long-term payables and other non-current liabilities. For more details, see "Capitalisation and Indebtedness".
- (4) Net indebtedness is calculated as total indebtedness minus cash and cash equivalents.
- (5) The following table reconciles the Group's EBITDA to the Group's total profit for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
		(Audited)	(RMB in '000)	(Unaudited but reviewed)	
Total profit	543,721.0	426,186.0	364,973.0	67,401.8	45,791.1
Adjustments:					
Add:					
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	2,918.55	28,505.38	39,015.92	14,724.82	41,899.55
Amortisation of intangible assets	4,132.81	662.21	2,298.11	1,070.42	2,410.17
Amortisation of long-term deferred expenses	28,667.62	9,029.32	16,377.31	1,504.89	13,768.01
Interest expenses	60,803.31	129,913.93	167,526.85	91,444.55	100,209.25
EBITDA	640,243.28	594,296.85	590,191.19	176,146.43	204,078.09

RISK FACTORS

Prospective investors of the Bonds should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular (including the financial statements and the notes thereto). The risks described below may not be the only ones that may affect the Issuer, the Guarantor, the Group, the Bonds or the Guarantee. Additional risks and uncertainties which the Issuer or the Guarantor is not aware of or that the Issuer and the Guarantor currently believe are immaterial may also adversely affect the Group's financial condition or results of operations. If any of the possible events described below occurs, the Group's financial condition or results of operations could be materially and adversely affected. In such case, the Issuer or the Guarantor may not be able to satisfy their respective obligations under the Bonds or the Guarantee and investors could lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group is the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District. The Group primarily engages in primary land development, infrastructure construction contracting, commodity trading, housing sales, asset leasing and property management and other ancillary businesses in Nantaihu New District. Its business and assets are also located and concentrated in Nantaihu New District. Therefore, its business, financial condition, results of operations and prospects are heavily affected by the level of economic development of both Nantaihu New District and Huzhou.

While the PRC economy has experienced rapid growth in the past 40 years, a slowdown in its GDP growth in recent years has raised concerns that its historic rapid economic growth may not be sustainable. The PRC experienced substantially lower economic growth in 2020 as compared to previous years. According to the National Statistics Bureau of the PRC, the growth rate of PRC's GDP for 2020 slowed to 2.4 per cent. on a year-on-year basis compared to the growth rate of 6.0 per cent. for 2019 and 6.8 per cent. for 2018, largely as a result of the impact of the COVID-19 outbreak. Although China's GDP growth rate for 2021 rebounded to 8.1 per cent. compared with 2020 largely due to its successful containment of the COVID-19 outbreak in 2021, it has seen the resurgence of the pandemic spreading across the nation in 2022, which may have a negative impact on China's 2022 GDP growth. Any future slowdown may create a credit tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group.

Further China's overall economic development has had a material impact on regional economic performance within its border. According to the Huzhou Statistics Bureau, Huzhou's GDP increased from RMB130.2 billion for 2010 to RMB364.5 billion for 2021 while the annual growth rate of Huzhou's GDP slowed from 12.1 per cent. for 2010 to 9.5 per cent. for 2021. There can be no assurance that the level of economic development in Huzhou, Nantaihu New District or Huzhou Economy and Technology Development Zone (湖州市經濟技術開發區) ("Huzhou ETDZ"), which constitutes a part of Nantaihu New District, will persist at their historical growth rates. It is also unclear how economic development in Huzhou and Nantaihu New District will be affected by a slowdown in the growth of the PRC economy. Any continuing slowdown in the economic development in Huzhou may affect the

People's Government of Huzhou City's development plan for Nantaihu New District, which may reduce the demand for the Group's businesses and adversely affect the Group's financial condition, results of operations and prospects.

The Group's business and prospects to a large extent depend upon People's Government of Huzhou City investment in infrastructure and fixed assets in Nantaihu New District.

The Group is administered by, and reports to, the Nantaihu New District Management Committee ("**Nantaihu New District Management Committee**"), which acts on behalf of Huzhou SASAC. Given the Company and its respective subsidiaries status at the Huzhou ETDZ, they have been designated to perform several critical governmental functions including the implementation of the government's urbanisation policies during the course of its business operations, and the undertaking of a number of land development, affordable housing construction and road, bridge and other infrastructure construction projects in the Huzhou ETDZ. The Group's working capital for financing the development of these projects was partially financed through subsidies received from the Huzhou Economic and Technology Development Zone Management Committee (the "**Huzhou ETDZ Management Committee**"), a sub-committee under the Nantaihu New District Management Committee. Thus, the Group's business, financial condition, results of operations and prospects have historically been and will continue to be heavily affected by the budget and spending of the Huzhou ETDZ Management Committee on infrastructure and fixed asset investments in the Huzhou ETDZ and Nantaihu New District. A number of factors affect such budget and spending, such as government policies relating to the development of different regions and the People's Government of Huzhou City's fiscal and monetary policies. The People's Government of Huzhou City's budget and spending on the development of Huzhou Nantaihu New Zone may also be affected by the government's income and general economic conditions in the PRC. As the Huzhou ETDZ Management Committee is one of the Group's major customers, the Group's business, results of operations and future prospects may be heavily affected by the Nantaihu New District Management Committee's budgets. Any significant reduction in Nantaihu New District Management Committee's public budgets relating to infrastructure could materially affect the Group's business. Any slowdown in the overall economic conditions of the PRC may affect the economic development of Huzhou and the income of the People's Government of Huzhou City which may, in turn, reduce the budget and spending of the People's Government of Huzhou City on infrastructure and fixed asset investments in Nantaihu New District.

In addition, the Group's business has been and will continue to be heavily affected by the financial and policy support of the Huzhou ETDZ Management Committee and the People's Government of Huzhou City. For example, People's Government of Huzhou City issued Notices Regarding the Enhancement of Managing the Proceeds of Sale of Land Use Rights of Urban Areas (《關於加強市區土地出讓金收益管理的通知》), stipulating that the proceeds of sale of land use rights by way of tender bidding should be transferred to the Huzhou ETDZ Management Committee (after a certain proportion of the proceeds has been collected by the People's Government of Huzhou City) and the Huzhou ETDZ Management Committee will pay to the Company the consideration equal to the audited development cost plus a premium of 10 per cent. for projects launched by Huzhou SASAC or Huzhou ETDZ Management Committee or approved by Huzhou ETDZ Management Committee from 10 December 2011 to 1 December 2017, or 20 per cent. for those projects launched from 1 December 2017 and onward. However, no assurance can be given that the Nantaihu New District will continue to receive similar governmental support in future. If the People's Government of Huzhou City and the Nantaihu New District Management Committee's investment on infrastructure and fixed assets in Nantaihu New District decreases, or if any of the governmental support enjoyed by the Group is no longer available, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

Various PRC Government entities maintain and enforce regulations related to local government financing vehicles ("LGFV"). These government entities, including the Ministry of Finance (the "MOF"), may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as the Guarantor. The Guarantor therefore cannot be certain that certain regulations intended to apply to LGFV do not or will not apply to it or that such regulations will not be retroactively applied to it.

In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見)("Circular 43") with an aim to control a significant increase in local government debts and associated risks in the PRC's banking system. Circular 43 generally prohibits local governments from using any means other than local government bonds within the quota approved by the State Council for debt financing and are prohibited from requesting or ordering enterprises to issue debt on behalf of local governments. In April 2017, the MOF, together with the NDRC, the PBOC, the China Securities Regulatory Commission, the China Banking Regulatory Commission (integrated into the China Banking and Insurance Regulatory Commission in 2018) and the Ministry of Justice of the PRC, released the Notice Concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43. In the event the Guarantor is deemed a financing platform of the relevant local government, the Group's results of operations and financial condition may be heavily affected by such changes in applicable regulations, including Circular 43. Consequently, the Group should rely exclusively upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and financing its operating activities. In addition, the MOF issued Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018] 23號)(the "MOF Circular 23"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方政府債務風險的通知)(the "Joint Circular") was released. The Joint Circular reiterates the PRC Government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of local governments' debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires assets owned by such companies be of good quality with clear ownership and public interest assets are prohibited from being included in corporate assets. See *"– Risks relating to the Bonds – Any public interest assets of the Group should not be taken into account when the Group's business, financial condition, results of operations and prospects are assessed."*

On 6 June 2019, the NDRC further issued the Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for the Record-filing and Registration of Foreign Debts Issued by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666)(關於對地方國有企業發行外債申請備案登記有關要求的通知)(發改辦外資[2019]666號)(the "Circular 666"). Circular 666 reiterates that a local state-owned enterprise shall fulfil responsibilities for repayment for foreign debts in the capacity of an independent legal person. A local government or its departments shall not directly repay or undertake to repay foreign debts of a local state-owned enterprise

with financial capital, or provide guarantee for the issuance of foreign debts by a local state-owned enterprise. Circular 666 also sets forth that the proceeds of the issue of foreign debts from the LGFV shall be used for repayment of existing middle-term or long-term debt due within one year.

The PRC Government has released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. For further details, the PRC Government may continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. There is also no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

Huzhou SASAC and the Nantaihu New District Management Committee exerts significant influence on the Group's business.

The Guarantor is directly and wholly owned by Huzhou SASAC. Huzhou SASAC exerts significant influence on the Group as it does with respect to many other local state-owned enterprises under its control, including the scope of its business, major investment decisions, development strategies, appointment of directors and certain senior management positions. Huzhou SASAC is responsible for the administration of many state-owned enterprises in Huzhou. According to assets delegation responsibility statement (企業國有資產委託監管責任書) entered by Huzhou SASAC and the Nantaihu New District Management Committee dated 2 August 2019, starting from 1 June 2019, the Nantaihu New District Management Committee was delegated to exercise part of the power of Huzhou SASAC. However, both Huzhou SASAC and Nantaihu New District are part of local government. When they carry out their administrative functions and implement the PRC Government's policies, there can be no assurance that they would always take actions that are in the Group's best commercial interests or aim to maximise the Group's profit. Those actions may be beneficial to Huzhou as a whole, but could have an adverse impact on the Group's business, financial condition, results of operations and prospects. In recent years, the local counterparts of SASAC in many provinces and cities have directed reorganisation of local state-owned enterprises at a different scale, which are conducted in the forms of asset transfer, asset disposition (including the disposal of material operating member of the Group) and/or asset swap. It is difficult to foresee or control the occurrence of similar transactions directed by the governmental authorities and there is no assurance that the Group will not be adversely affected if any such reorganisation takes place.

The Group's operation is heavily affected by government decisions and actions, over which the Group has limited control, which may result in a material and adverse effect on its financial condition and results of operations.

The Group's operation is substantially affected by government decisions and actions at various levels. The Group has no control over the decision-making process of the relevant governmental authorities, such as the budget set for each project and certain decisions they make or actions they take may not be in line with the Group's business or financial interests. The Group also has no control over the timing of the payment from the People's Government of Huzhou City for the purchase of government investment projects. In addition, as mandated by the People's Government of Huzhou City, the Company acts as a guarantor for the borrowings of certain government-controlled entities or public institutions from time to time. The Group is assigned by the People's Government of Huzhou City to complete certain projects and reports to the competent authority upon the resolution made by the Group pursuant to the early plans of each year. See “– Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks.” As a result, depending on the decisions made and actions taken by the governmental authorities, the Group's business and results of operations could fluctuate significantly from year to year and may be materially and adversely impacted.

Certain projects of the Group are public interest projects that may have a material and adverse effect on its financial condition and results of operations. As a state-owned enterprise, the Group from time to time is required to engage and participate in the projects that are motivated by public interests and social

welfare development, such as the construction of roads and bridges that are non-chargeable. As such, certain of the Group's projects are public interest by nature and do not generate high profits. The Group also receives financial allocations and/or asset injection from the government. See “– *Risks relating to the Group's Business – The Group may cease to enjoy government grants, the loss of or a reduction in which could substantially reduce the Group's income.*” Further, relevant governmental authorities may change the initial planning for such projects and cause an increase in the total investment amount and government budgetary concern for the Group after the construction work begins. Additionally, it is uncertain whether the government will be able to provide such financial support as a result of the promulgation of Circular 43 (as defined herein). See “– *Risks Relating to the Group's Business – PRC regulations on the administration of fiscal debts of local governments will have a material impact on the Group's business model and sources of financing.*” The Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects. As at the date of this Offering Circular, the Group has been involved in various government projects and may continue to be required to participate in such projects from time to time. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

The Group's business operation requires substantial capital expenditure and failure to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect its business and prospects.

The Group's business requires substantial capital resources. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, cash payments to acquire fixed, intangible and other long-term assets of the Group were RMB94.2 million, RMB725.9 million, RMB217.3 million, RMB1,199.6 million and RMB355.5 million, respectively. The Group has historically satisfied its capital requirements with (i) the cash flow generated from its operating activities, (ii) subsidies from the Huzhou ETDZ Management Committee and People's Government of Huzhou City, (iii) proceeds of bank and other borrowings and the issuance of bonds and commercial paper in the PRC or international capital markets and (iv) proceeds from other financing activities such as equity investment, mezzanine investment and public-private partnership funds. The Group believes that it will continue to require substantial capital resources to support its business operations and expansion.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business activities, the local government's plan in project buy-backs and granting government funds, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any material changes in these factors, which may be out of the Group's control, may create capital shortfalls. In particular, any delays in the buy-back payment by the government and the government funding and cost overruns inherent may also cause such shortfalls. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy its cash need at all times, if at all. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 2021 and 2022, the Group had net cash outflows from operating activities of RMB3,712.4 million, RMB2,285.2 million, RMB3,784.8 million, RMB2,273.1 million and RMB1,155.6 million, respectively. See “– *The Group has historically experienced net operating cash outflows.*”

A portion of the capital demand of the Group is satisfied through government grants from the Huzhou ETDZ Management Committee and Nantaihu New District Management Committee. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group received government grant in the amount of RMB379.0 million, RMB379.0 million, RMB424.1 million, RMB143.0 million and RMB140.4 million, respectively. See “– *The Group may cease to enjoy government grants, the loss of or a reduction in which could substantially reduce the Group's income.*”

Insufficient cash flow generated from the Group's operating activities will increase the Group's reliance on external financing. As at 30 June 2022, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities maturing within one-year, interest-bearing portion of other current

liabilities, long-term borrowings, bonds payable, interest-bearing portion of long-term payables and other non-current liabilities) was RMB44,594.6 million. The Group's ability to access and raise sufficient capital through different sources depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements and the Group's financial condition. Some of these factors are beyond the Group's control and there is no guarantee that the Group will be able to procure sufficient funds in a timely manner or on commercially acceptable terms. In these cases, it may not be able to fund the capital expenditure necessary to implement its business plans and strategies, which may in turn have a material and adverse impact on its business, financial condition, results of operations and prospects. As at 30 June 2022, the Group had credit facilities in a total amount of approximately RMB20,276 million, of which approximately RMB17,505 million had been utilised, accounting for 86.8 per cent. of the Group's total credit facilities. In this case, the Group may lack flexibility to procure sufficient funds in a timely manner.

The Group's financial condition and results of operations may be affected by the fair value changes in its long-term equity investment and the profitability of its equity investment is subject to market conditions and other factors beyond its control.

The Group currently owns minority equity interest in several companies which primarily engage in property development and logistics businesses. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's long-term equity investment was RMB381.1 million, RMB1,440.4 million, RMB1,556.7 million and RMB2,010.1 million, respectively, representing 0.7 per cent., 2.4 per cent., 2.3 per cent. and 2.8 per cent. of the Group's total assets, respectively.

The amount of revaluation adjustments of the equity interests that the Group owns has been, and will continue to be, subject to the performance of these companies and the market conditions of the industries these companies operate in. The Group has limited control over the performance of those companies due to its holding of minority stakes in those companies and the Group cannot assure you that changes in market conditions will continue to create fair value gains on its equity investment at the historical levels, or at all, or that the fair value of its equity investment will not decrease in the future. If the fair value of its equity investment declines, its profitability could be materially and adversely affected.

Furthermore, the Group earns investment returns from dividends paid by its portfolio companies and generates capital gains from exits through sale of shares in these portfolio companies. As the Group does not control the operations of those companies and has little impact on their management or operations, there is no guarantee that those companies will declare and pay dividends to their respective shareholders as expected. Equity investment in privately-owned companies is inherently illiquid. The Group's ability to exit from a portfolio company is subject to market conditions. The Group may be forced to sell its investments at undesirable prices or defer sales for a considerable period of time or may not be able to sell at all due to market volatility or other reasons beyond the Group's control. In addition, whether the Group could identify suitable targets for investment is subject to market conditions beyond its control.

The Group faces risks associated with contracting with public bodies.

As the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District as measured by total assets as at 30 June 2022, the Group is wholly owned by Huzhou SASAC and collaborates with various governmental authorities and their controlled entities in Huzhou. The Guarantor believes that the Group currently maintains close working relationships with those governmental authorities and entities relevant to its business, and will maintain these relationships in the future. However, local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent with those of the Group, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their obligations, (iv) encounter financial difficulties, or (v) have disputes with the Group as to contractual

terms or other matters. Those governmental authorities and entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in Huzhou for a number of reasons, such as government budgeting. Further, as the Group's business primarily involves public infrastructure and services, the government has significant influence over pricing of the Group's services.

In addition, the Group mainly entered into agreements with the Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee and enterprises located within Huzhou ETDZ and Nantaihu New District to develop a large number of city infrastructure projects which are located in Huzhou ETDZ and Nantaihu New District. Those projects are capital intensive and may cause pressure on the Group's capital sufficiency. Under respective project agreements which the Group entered into with the Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee, the Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee are obliged to pay the Group agreed contracting fees. However, the ability of the Huzhou ETDZ Management Committee or Nantaihu New District Management Committee to meet its payment obligations largely depends on its fiscal revenue, policies and regulations promulgated by the PRC Government or authorities and many other factors that are generally beyond the Group's control.

Failure by the public contracting counterparties to fulfil its contractual obligations or any adverse change to the policies or business plan may require the Group to adjust its development plans and may adversely affect its operating results. There is no guarantee that the Group will be able to successfully resolve any material disagreement with the Huzhou ETDZ Management Committee, the Nantaihu New District Management Committee or any contracting counterparty controlled by them in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group and the Huzhou ETDZ Management Committee or the Nantaihu New District Management Committee, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Delays or defaults in the buy-back payment by the People's Government of Huzhou City to the Group may affect its working capital and cash flow.

For most of the Group's construction projects, the Group is responsible for engaging contractors for the construction and supervising of the construction process. The government authority who engages the Group will purchase the title of the properties or infrastructure upon their completion. For those projects, the payment collection period is relatively long, and all or a large portion of the agreed buy-back payment is generally paid only after the government authority completes its testing and inspection works and provides its approval for the project or a phase of the project. Nevertheless, the government may delay or be unable to make the buy-back payment upon completion of the project. The Group incurs costs such as material, equipment and labour costs, at the beginning of the project, on an ongoing basis and before achieving the relevant project milestones, and thus bears the risk of prepaying costs and expenditure relating to projects. Therefore, any delay or default in the buy-back payment by the government authority may increase pressure on the Group's cash flow, which would in turn increase its business financial vulnerability and adversely affect its financial condition and results of operations. As at the date of this Offering Circular, the Group has not experienced any significant delay in payments by the relevant governmental authorities in accordance with the agreed payment timetable. However, there is no assurance that government authority will continue to make all payments in a timely manner, or that no events of default will occur in the future.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements, and the Group has a significant amount of outstanding indebtedness. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the total indebtedness-to-total assets ratio of the Group was 60.3 per cent., 62.2 per cent., 60.5 per cent. and 61.5 per cent., respectively. As at 30 June 2022, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities maturing within one-year, interest-bearing portion of other current liabilities, long-term borrowings, bonds payable, interest-bearing portion of long-term payables and other non-current liabilities) was RMB44,594.6 million, of which RMB13,709.3 million would become due within 12 months. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

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

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

If the Guarantor is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Guarantor, accelerate the debt and declare all amounts borrowed due and payable, or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Guarantor may contain cross-acceleration or cross-default provisions. As a result, a default by the Guarantor under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occur, there can be no assurance that the Guarantor or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Guarantor would be sufficient to repay in full all of their respective debts as they become due, or that the Guarantor would be able to find alternative financing. Even if the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor.

The Group also mortgages or pledges its assets as security to secure the debts of the Guarantor and its subsidiaries. Third-party security rights may adversely affect its operation efficiency. If the Guarantor is unable to service and repay its debts on a timely basis, the assets provided as security for such debts may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

The Group has historically experienced net operating cash outflows.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 2021 and 2022, the Group had net cash outflows from operating activities of RMB3,712.4 million, RMB2,285.2 million, RMB3,784.8 million, RMB2,273.1 and RMB1,155.6 million, respectively. The Group experienced net cash outflow from operating activities largely due to investment on primary land development and infrastructure construction. The volume of the Group's business is affected by the pace of development of the Huzhou ETDZ and Nantaihu New District, which results in the variation of its cash flow. With the stabilised operation of the Group in the future, the variation of the capital volume will be steady. The Group will start receiving the buy-back payment from the Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee only upon completion of the relevant project. According to the arrangement entered with the Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee, the buy-back amount is typically paid in instalments during a period of up to five years following project completion. As the Group anticipates continued expansion of its business, it believes that it will continue to require significant capital commitments. Under such circumstances, the Group will continue to rely on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

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

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's other receivables were RMB10,283.9 million, RMB9,997.3 million, RMB11,825.2 million and RMB12,333.1 million, respectively, representing 19.9 per cent., 16.4 per cent., 17.3 per cent. and 17.0 per cent. of the Group's total assets. The Group's other receivables are mainly attributable to unpaid fees incurred in the course of infrastructure construction contracting business with state-owned entities as the main counterparties.

The Group's inventories mainly consist of development cost, costs to fulfil a contract and agent constructions. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's inventories amounted to RMB33,368.6 million, RMB37,954.1 million, RMB41,673.2 million and RMB43,010.6 million, respectively, representing 64.7 per cent., 62.2 per cent., 60.9 per cent. and 59.3 per cent. of the Group's total assets. Such inventories are mainly completed affordable housing or infrastructure which has not been bought back by the government. If there is a delay or default in the buy-back payment from the government, it could materially and adversely affect the Group's business, financial condition, results of operations or prospects. See “– Delays or defaults in the buy-back payment by the People's Government of Huzhou City to the Group may affect its working capital and cash flow”.

The Group operates in multiple businesses and this business structure exposes the Group to challenges not faced by companies with a single business.

The Group primarily engages in (i) primary land development, (ii) infrastructure construction contracting, (iii) commodity trading and (iv) ancillary business. However, the Group is also exploring other industries, such as housing sales, assets leasing and property management and other ancillary businesses. Accordingly, the Group is exposed to risks associated with operating in multiple businesses.

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

In addition, as the Group continues to grow its businesses, and expand into various industries, the Group's operations may become more complex, which would increase the difficulties in implementing its management system.

The Group is exposed to risks and challenges arising from its corporate structure.

The Guarantor manages and operates its businesses through a number of subsidiaries. Successful operation of the Group's subsidiaries companies requires an effective management system. As the Group continues to grow its businesses, the Group's operations may become more complex, which would increase the difficulty of implementing its management system. Several subsidiaries of the Guarantor operated at a loss for the year ended 31 December 2021. There can no assurance that such subsidiaries may become profitable in the future or at all. If any such subsidiary continues to operate at a loss or there is a further deterioration of any such subsidiary's financial performance, the Group's business, financial condition, results of operations and profitability may be materially and adversely affected.

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

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

The Group's business is subject to various laws, rules and regulations in the PRC affecting how the Group operates its business. There are stringent laws and regulations affecting the Group's primary land development and infrastructure construction business such as the Construction Law of the People's Republic of China (中華人民共和國建築法), Production Safety Law of the People's Republic of China (中華人民共和國安全生產法), the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法), Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), Regulation on the Administration of Survey and Design of Construction Projects (建設工程勘察設計管理條例) and The Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例). Moreover, the Group must comply with rules deriving from the terms of agreement and performance of contracts with governmental entities and orders and laws governing construction activities and the applicable technical rules governing the delivery of services, supplies and works. According to applicable PRC laws and regulations, the Group needs to obtain a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements before it is qualified to carry on the relevant regulated business activities. For example, the Group is required to obtain a construction project establishment approval, an environmental assessment approval or registration, a Construction Land Planning Permit (建設用地規劃許可證), a Construction Project Planning Permit (建設工程規劃許可證), a Construction Permit (建築工程施工許可證) and a qualification certificate for its construction operations. There is no assurance that the Group will be able to obtain all required approvals, certificates, licenses and/or permits for certain construction projects. Failure to comply with the applicable laws and regulations or the inability to

obtain the relevant approvals, permits and licences could expose the Group to the imposition of sanctions, fines, penalties, revocation of licences or other punitive actions, including suspension of the Group's business operations or restrictions or prohibitions on certain of the Group's business activities, which may adversely affect the Group's financial condition and results of operations.

There are inherent risks associated with the implementation, enforcement and interpretation of PRC laws. Governmental authorities also have a great discretion in determining the granting of the relevant approvals, licences, permits and certificates. These factors have caused and are expected to continue to result in inconsistent application, enforcement or interpretation of PRC laws. There are significant uncertainties associated with the procedural requirements under applicable PRC laws and regulations for the Group's existing business and the new business which the Group intends to operate in the future. As a result, there is no assurance that the Group will be able to obtain the approvals, licences, permits and certificates necessary in a timely manner, or at all. For example, Huzhou Xisaishan Construction and Development Co., Limited (湖州西塞山開發建設有限公司) (“**Huzhou Xisaishan**”) failed to renew its Qualification of Real Estate Development Enterprises in August 2019. According to the Provisions on the Administration of the Qualifications of Real Estate Development Enterprises (房地產開發企業資質管理規定) as amended, if an enterprise engages in real estate development operation without obtaining a qualification certificate, the real estate development authority of the local government in charge at or above the county level shall order it to make corrections within a time limit and impose a fine of RMB50,000 to RMB100,000; if no correction is made within the time limit, the real estate development authority shall request the administrative department for industry and commerce to revoke the business license. Huzhou Xisaishan has ceased carrying out real estate development business since December 2019.

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

If the Group fails to obtain or experiences material delays in obtaining land use rights certificates with respect to land parcels, or property ownership certificates with respect to properties, on or in which it carries out its operations, its business, financial condition and results of operations may be materially and adversely affected.

The Group from time to time acquires lands and properties for its business operations. According to applicable PRC laws, the granting of land use rights is customarily conducted through a public tender and bidding process. A number of factors are taken into consideration when the government determines the granting of land use rights, such as the reputation, track record and financial conditions of the bidders and project budgeting. Granting of property ownership certificates is also subject to a number of conditions and procedures and sometimes requires documents and co-operation provided by contractors and third parties. Many of these factors are beyond the Group's control. There can be no assurance that the Group will be able to obtain necessary land use rights certificates or property ownership certificates for all its land parcels and properties in the future in a timely manner or at all. If the Group experiences material delays in obtaining these certificates or fails to receive these certificates, the Group's business, financial condition and results of operations may be materially and adversely affected. Further, the Group may be subject to administrative penalties and be required to return any land that it operates on without proper land use rights certificates or property ownership certificates. For example, in 2015, Zhejiang Huantaihu Group Co., Limited (浙江湖州環太湖集團有限公司) received five administrative penalty decisions from Huzhou Land Bureau (湖州市國土資源局) for building roads without receiving relevant permits and land use right certificates. Zhejiang Huantaihu has paid the penalty fines as

required by the penalty decisions. In 2017, these five cases were brought to the Court of Wuxing District of Huzhou by Huzhou Land Bureau for the enforcement of the aforementioned obligations. The court issued rulings for the enforcement of the return of the illegally occupied lands with a total area of 96,800.3m², the implementation of which was organised by the competent sub-district offices of the People's Government of Huzhou City. According to the feedback letters issued to the court by the aforementioned competent sub-district government offices, Zhejiang Huantaihu has ceased the illegal occupation of lands.

The Group may not be able to complete its development projects on time, within budget, or at all.

The Group's development projects require substantial capital expenditures prior to and during the construction period. The construction of a project may take several years before the completion and settlement where the Group receives payment. The progress and costs for a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents or demolition of existing structures;
- unforeseen engineering, design, environmental, structural or geographic problems;
- shortages or increased costs of land development, materials, equipment, contractors and skilled labour;
- labour disputes;
- adverse influence caused by other construction projects not undertaken by the Group;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- discovery of historic and cultural relics in the construction sites; and
- changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications or may ultimately end up with delays of the project. If a project is not completed on time, other parties of the contract may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on the Group's reputation, business, financial condition, results of operations and prospects.

The Group's profit margin is sensitive to fluctuations in the cost of construction materials.

Contracting fees paid to third-party contractors are one of the main components of the Group's costs of sales. Contracting fees encompass all costs for the design and construction of a project, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Contracting fees may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. The Group seeks to reduce its exposure to short-term price fluctuations of construction materials and limit project cost overruns by

centralising its procurement. The Group also manages the cost of outsourced construction work through a process of tenders which, among other things, contemplates the procurement of principal construction materials such as steel and cement at fixed prices. In line with industry practice, if there are significant price fluctuations (depending on the specific terms of each contract), the Group will be required to renegotiate, top up or refund, the amounts paid under existing construction contracts. Additionally, should the Group's existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. The Group's profit margin is sensitive to changes in market prices for construction materials and its profit margins will be materially and adversely affected if the Group is not able to pass all of the increased costs onto its customers.

The Group's revenue from primary land development is subject to risks relating to land sales.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue generated from the Group's primary land development business was RMB510.3 million, RMB629.1 million, RMB501.3 million, nil and nil, respectively. The land sales are typically handled by land administration departments through a tender process. Final prices of lands sold through a tender process are affected by a number of factors including location of the land, market perception of land value and political and economic development. The Group's revenue from primary land development is also affected by land sales schedule determined by the relevant governmental department, which may be affected by policy considerations, government income and budget planning, city development plans and other factors that are beyond the Group's control. Such land administration department may decide to slow down or halt land sales for a period of time in response to market conditions or other policy considerations. Any delay or suspension of land sales may materially and adversely affect the Group's cash flow, business, financial condition and results of operations.

The Group is exposed to fluctuations in prices of commodities that it trades.

Revenue generated from the Group's commodity trading business is affected by changes in the prices of commodities that the Group trades, which are in turn affected by a number of factors beyond the Group's control, including the supply and demand for agricultural and chemical products, speculative activities by market participants, global political and economic conditions, related industry cycles, and production costs in major producing countries. Fluctuations in the price of commodities traded by the Group could materially impact the performance and profitability of the Group's commodity trading business.

In addition, a significant downturn in the prices of agricultural, chemical and other products that the Group trades, could result in a devaluation or impairment of the Group's inventories. Although the impact of downturns in the prices of such products on the Group's trade business has historically been very limited, as the Group determines its procurement amount strictly based on actual purchase orders from its customers and therefore holds limited inventories under its commodity trading business, there is no assurance that the Group will not be materially affected by price fluctuations in the future. The Group has not historically engaged in any hedging against fluctuations in commodity prices and; as a result, it may be exposed to the risk arising from fluctuations in commodity prices.

The Group's commodity trading business may face credit and default risks of its key customers.

The Group's customers of its commodity trading business include both state-owned and private enterprises. As a result, cash flow generated from the Group's commodity trading business largely depends on the financial condition and repayment capabilities of such state-owned and private enterprises. Despite the fact that the Group signs sales contracts with its customers to lock the price and protect itself from price fluctuations, customers may still default on their payments to the Group due to deterioration in liquidity condition and other factors affecting their repayment capabilities. If the Group is unable to collect payments from any of its customers, its financial condition and results of operations may be materially and adversely affected.

The Group may cease to enjoy government grants, the loss of or a reduction in which could substantially reduce the Group's income.

The Group heavily relied on government grants to maintain its business and operation. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group's government grants amounted to RMB379.0 million, RMB379.0 million, RMB424.1 million, RMB143.0 million and RMB140.4 million, respectively. Government grants are recorded as either non-operating income or other income, depending on their respective nature. The government's continuing financial support to the Group and timely payment of promised subsidies and grants depend on the future fiscal revenue of Nantaihu New District and fiscal policies of the PRC Government. There can be no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatment, since the relevant government policies may change over time. Any loss or reduction in government subsidies and grants or other form of government support could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

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

On 28 December 2019, the PBOC published No. 30 Announcement (中國人民銀行公告 [2019]第30號) requiring financial institutions to, beginning on 1 January 2020, shift from using the PBOC Benchmark Rate to the loan prime rate (the "LPR") as the reference rate in all floating rate loans (except for Personal Housing Accumulation Fund Loans). Although the Group's bank loans bear fixed rate interests as at 30 June 2022, it may take on additional loans that bear interests that accrue at rates linked to the LPR. Any significant fluctuation in the LPR may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Any increase in the LPR in the future will increase the Group's financing costs and could have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group may not successfully implement its growth strategy.

The Group has historically been focused on primary land development, infrastructure construction contracting and other ancillary business segments, such as asset leasing in the Huzhou ETDZ. The Group is exploring new areas to diversify its business, such as senior care-related service. Whether the Group could continue to successfully implement this strategy can be affected by national economic environment and industry development trends. There can be no assurance that the Group will be able to successfully implement this strategy. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

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

The Group engages the contractors for its primary land development and infrastructure construction contracting businesses. The Group generally selects independent contractors through an open tender process. However, there can be no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, such as a slow-down in the progress of construction, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its infrastructure projects may be delayed, and the Group may incur additional costs, in some cases due to a contractor's financial or other difficulties. In addition, the Group may be asked to undertake additional infrastructure development projects by the government at short notice, and there may be a shortage of contractors meeting the Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. All of these third-party related factors may have a material adverse impact on the quality of services provided by the Group's contractors and the quality and construction progress of the Group's infrastructure projects. Unsatisfactory quality or delay in the construction timetable may in turn adversely affect the results of operations and prospects of the Group.

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

Some of the past projects developed by the Group involved the relocation of indigenous residents and businesses, and the Group believes that similar situations may occur when it develops future projects. If any indigenous resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the township government will seek to resolve the dispute by negotiating with the relevant residents or businesses to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant land authority for its determination on whether the relocation compensation and relocation timetable is in compliance with the PRC law. The relevant land authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be changed at any time. Any delays affecting such relocations of these indigenous residents or businesses may result in delays in the Group's development schedules and/or increases in its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

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

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

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

Failure to comply with environmental responsibilities may adversely affect the Group's operations and profitability.

The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shut-down by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues, and the Group may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. The Group has adopted environmental protection measures, including conducting environmental

assessments on its construction and development projects, hiring construction contractors who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. If the Group fails to comply with existing or future environmental laws and regulations or fails to meet public expectations in relation to environmental matters, its reputation may be damaged, or it may be required to pay penalties or fines or take remedial actions or cease operations, any of which could have a material adverse effect on the Group's business, results of operations and financial position.

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

The Group relies on its contractors to carry out primary land development and infrastructure construction contracting businesses. These businesses are labour intensive. As such, labour shortages, labour disputes or increases in labour costs of third-party contractors could materially and adversely affect the Group's business, prospects and results of operations. Industrial action or other labour unrest could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects. These actions are beyond the Group's foreseeability or control. There can be no assurance that labour unrest will not affect general labour market conditions or result in changes to labour laws. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC Government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including contractors participating in the Group's projects. As the Group is responsible for making progress payments to its contractors, any increase in the labour costs of those contractors may negatively affect the Group's cash flow, which could materially and adversely affect the Group's business, prospects and results of operations.

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

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

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

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

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

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced investment managers and finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operational personnel. Competition for attracting and retaining these individuals is intense. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives, and failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to become accustomed to any new standard procedures, and consequently, may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected losses to the Group and adversely affect its revenue and financial conditions.

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

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

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

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;
- making or accepting the bribery activities;
- conducting any insider dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

Since 2006, the State Council and various PRC regulatory authorities have intensified their efforts to combat commercial bribery in the PRC. While the Group is implementing policies and procedures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering and other misconduct, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to detect or prevent fraud, sales misrepresentation, money laundering or other misconduct in a timely manner, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, local residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes, such as defective or incomplete work, personal injuries, property damage or delay in the completion and delivery of projects. In addition, the Group may bring claims against project contractors for additional costs incurred as a result of contractors' underperformance or non-performance, project defects or default by contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may divert and distract the Group's financial and managerial resources.

The outcome of litigation may be difficult to assess or quantify. Plaintiffs in such lawsuits could seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such lawsuits may remain unknown for substantial periods of time. There could also be negative publicity associated with litigation, regardless of whether the allegations are found not to be valid or whether the Group is ultimately found liable.

In the event that the Group prevails in those legal proceedings, there is no assurance that the judgment or award will be effectively enforced. If a judgment or an award is rendered against the Group, the amount payable by the Group may not be fully covered by the Group's insurance, and the amount could differ from the provisions made by the Group based on its estimates. In addition, where the Group is in dispute with regulatory bodies or governmental authorities, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. Although the Group is of the view that these legal proceedings do not have a material and adverse effect on the Group's business or financial position as a whole, if any of these is determined adversely against the

Group, it could have a material adverse effect on the Group. Any material charges associated with claims brought against the Group and material write-downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow.

The Group faces competition in the markets in which it operates, which may adversely affect its business and results of operations.

The Group competes with other infrastructure construction companies, particularly those in Huzhou. As Huzhou's infrastructure construction industry grows and new market players emerge, the Group's current leading position in Huzhou's infrastructure construction may be challenged. Competitors may have greater access to capital, technology, management and other resources than the Group does, and may be capable of providing a wider range of services. These competitors may also merge or form joint ventures with the other domestic or foreign competitors, which may intensify the competition the Group faces. As the Group expands into new geographical markets or introduces new products and services, the Group may be subject to competition from other market players.

Whether the Group will successfully compete depends on its ability to anticipate and respond to many competitive factors, including continuity of its relationships with governmental entities, customers, suppliers, partners and third party contractors, quality of products and services provided, corporate positioning and business reputation, change in customer preferences, funding and financing resources, introduction of new or improved technology, products or services in the related industries or markets. There can be no assurance that existing or potential competitors of the Group will not provide similar products or services with comparable or even better quality at the same or even lower prices, or be more adaptable to industry trends or market changes. If the Group fails to compete effectively or the competition with respect to the Group's products or services continues to increase, there would be an adverse effect on the Group's financial results and return on capital expenditures, which could cause a decline in the Group's growth rates and reduce the Group's revenue. The Group cannot predict the extent to which this competition will affect the Group's future operating results.

Accidents in the Group's business operations may expose the Group to liability and harm its corporate image.

Some of the Group's operations are exposed to inherent occupational hazards involving handling of heavy machinery and hazardous chemicals and occurrence of other industrial accident, such as provision of construction service. Mishandling of heavy machinery and hazardous and industrial accidents could result in damage of the Group's production facilities, interruption of operations, personal injury or fatality, environmental damage, monetary losses and legal liability. Any of these accidents may have a material adverse impact on the Group's business and results of operations. Also, it could significantly damage the Group's corporate image.

Although the Group has established and implemented internal protocols and systems relating to occupational safety, there is no assurance that those protocols and systems will be able to address all the potential risks effectively or that they will be strictly followed. As at the date of this Offering Circular, there is no industrial accident during the process of the Group's business which caused material monetary losses to the Group or caused severe personal injuries or fatality. However, there can be no assurance that no industrial accident will happen in the Group's business operations in the future.

The Group is subject to joint venture risks.

Certain of the Group's operations are conducted through jointly controlled entities and associated companies. Co-operation and agreement among the Group's joint venture partners on its existing or any future projects are important factors for the smooth operation and financial success of such projects. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures as, in some cases, it does not

have majority control of the joint venture. The Group does, however, through contractual provisions or representatives appointed by it, typically have the ability to influence certain material decisions. Although the Group has not experienced any significant problems with its partners to-date, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such projects.

There are risks associated with any material acquisitions, investments, joint ventures by the Group in the future.

The Group may consider expanding its business by acquiring certain interests in other companies, entering into new strategic alliances and joint ventures and investing in or entering into new business opportunities. During the course of these transactions, the Group will conduct due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition, investment or joint venture opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial and legal risks and liabilities. When determining the price for these transactions, the Group needs to consider various factors, including the quality of the target business, estimated costs associated with the acquisitions, investments or joint ventures and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from these transactions after the relevant transaction is completed, such as business, operation and management integration. There is no assurance that the Group is able to address these issues effectively at all times. In addition, any major acquisition, investment, joint venture or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

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

The Group's business depends on the integrity and performance of its business, accounting and other data processing systems. If the Group's systems cannot cope with increased demand or otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitations on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and maintain accurate records. These consequences could result in operational downtime, poor operating performance, financial losses, and the intervention of regulatory authorities. Although the Group's systems have not experienced major systems failures and delays in the past, there is no assurance that the Group's systems would not experience future systems failures and delays, or that the measures taken by the Group to reduce the risk of system disruptions will be adequate. If internet traffic and communication volumes increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

The Group may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. Outbreak of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9 or pneumonia caused by the COVID-19 have a material adverse impact on the economic and social condition in the affected regions.

COVID-19 has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organisation. The global outbreak of COVID-19 may create negative economic impact and increase volatility in the PRC and global market, which can have a material adverse effect on the Group. The elevated inflation pressures due to COVID-19 have cast uncertainties over the future course of major central banks' monetary policies. In the United States, it is unclear whether the Federal Reserve of the United States' efforts to curb inflation will prove to be successful, nor is it possible to predict the impact of future Federal Reserve's actions on the global economy. In Europe, several countries continue to face difficulties surrounding sovereign debt. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. Although governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures to contain the economic impact of the epidemic, stabilise the markets and provide liquidity easing to the markets, there is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives or be successful in containing the economic impact of the epidemic or stabilising the markets. On the other hand, governments may, if not already done so, tighten liquidity to rein in inflation. Any further tightening of liquidity in the global financial markets may also negatively affect the Group's liquidity.

In addition, previous administrative actions taken by local governments in the PRC to control the spread of COVID-19 had affected the businesses of the Group. For example, the Group's construction and development projects were temporarily suspended during the pandemic. Moreover, supply of raw materials may be adversely affected due to the temporary shut-down of the operations of the Group's suppliers and the disrupted logistics operations. As a result, the completion of the Group's projects may be delayed, which may in turn result in substantial increases in the Group's costs for constructing or developing its projects and/or otherwise adversely affect profitability and cash flows of the Group.

In the beginning of December 2022, different regions in the PRC had reported substantive increase in positive cases of COVID-19. Should the Group's operations be disrupted again by any resurgence of COVID-19 and such disruption becomes extended, it may materially and adversely affect the Group's results of operations and financial condition. In addition, any further disruption to the Group's business activities may negatively affect its liquidity and access to capital.

Moreover, the PRC experienced natural disasters such as earthquakes, floods and droughts in the recent years. For example, two serious earthquakes hit Sichuan Province in May 2008 and April 2013 and resulted in significant loss of lives and destruction of economic condition and development in Sichuan Province. Huzhou was distant from the centres of the earthquakes and thus did not suffer direct damages as a result of the earthquakes. However, if similar catastrophes take place again in the future, there is no assurance that Huzhou's economy, social conditions and city infrastructure will not be damaged. Any adverse impact on the economic and social conditions in Huzhou will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to risks relating to related party transactions.

The Guarantor may from time to time engaged in a broad range of transactions with its subsidiaries whose financial results are consolidated into the Group's financial statements, as well as other related parties of the Group. These transactions primarily include sourcing and sale of goods, provision or receipt of labour services and right-of-use assets. Although the Guarantor has adopted and implemented internal control system for monitoring its related-party transactions, there are inherent risks associated with the ability of its related parties to make timely payments and any failure to make timely payments by these entities could materially and adversely affect the Guarantor's liquidity and in turn affect the operation of its business and the turnover of its capital. In addition, while the related-party transactions entered into by the Guarantor thus far have been based on arms' length negotiation with reference to the

prevailing market prices and duly approved by the relevant competent authority, related-party transactions entered into on a non-arm's length basis in the future may erode the Guarantor's competitiveness and damage its reputation.

The presentation of certain accounting items in the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2021 may not be comparable to the financial information in the consolidated financial statements of the Guarantor for the previous years.

In 2021, the MOF implemented certain new accounting standards and requirements in relation to financial instruments, income recognition and leasing (the “**2021 New Accounting Standards and Requirements**”). Therefore, the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 were prepared and presented in accordance with the 2021 New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 may not be comparable to the financial figures in the financial statements of the Guarantor for the previous periods. For details of the adoption of the 2021 New Accounting Standards and Requirements and its impact on the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021, please see “*Note 3.32. Changes in Significant Accounting Policies and Accounting Estimates*” of the Guarantor's consolidated financial statements as at for the year ended 31 December 2021. There can be no assurance that the MOF will not promulgate other new accounting standards or requirements in relation to financial statements which would affect the Guarantor's accounting policies, or that the Guarantor or its subsidiaries will not change their accounting estimates, each of which may affect the presentation and comparability of the Group's financial statements.

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

The Group from time-to-time issues corporate bonds and short-term financing papers in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Group is required to publish its half-year and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term financing papers. After such bonds are issued, the Group is obligated by the terms of these bonds, among others, to provide holders of these bonds with its audited financial statements and certain unaudited and unreviewed periodical management accounts. The half-year financial information published by the Group in the PRC is generally derived from the Group's management accounts and has not been audited or reviewed by independent auditors. Accordingly, such financial information published in the PRC should not be relied upon by potential investors to provide the same quality of information associated with any audited information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Guarantor's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting, or to reflect subsequent comments of the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Guarantor's consolidated management accounts subsequently published in the PRC and its audited or reviewed financial statements provided to holders of these bonds. Neither the Issuer nor the Guarantor is responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

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

The Group's Financial Statements were prepared in accordance with PRC GAAP. Although PRC GAAP are substantively in line with IFRS, PRC GAAP are, to a certain extent, different from IFRS. See “*Summary of Certain Differences Between PRC GAAP and IFRS*”. There is no guarantee that the PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two

accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular.

The Interim Financial Statements contained in this Offering Circular have been reviewed but have not been audited.

The Interim Financial Statements have not been audited by RSM China or any other independent auditors. The Interim Financial Statements were prepared and presented in accordance with PRC GAAP. However, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2022.

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

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in the economic environment, PRC environmental rules and regulations, and the domestic and international competitive landscape of the industries in which the Group operates its businesses.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and the Group can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them, and, therefore, the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE PRC

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

The Group primarily engages in primary land development and infrastructure construction contracting businesses in Huzhou and substantially all of the Group's revenue is derived from the PRC. The Group relies, to a significant degree, on the development and economic of the PRC, particularly of Huzhou, to achieve revenue growth. The global crisis in financial services and credit markets in 2008 caused a

slowdown in the growth of the global economy. Since 2015, the PRC Government has adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth. As a consequence of these reforms and the overall instability in the recovery of the global economy, the year-on-year rate of GDP growth in the PRC has generally been slower in the past several years after three decades of rapid growth.

The future performance of the PRC economy is not only affected by the economic and monetary policies of the PRC Government, but is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. The political, social and macroeconomic impact of the United Kingdom's exit from the European Union remains uncertain, which could potentially lead to further decreases in global stock exchange indices and create increasing volatility in the global market. In addition, the escalating U.S.-China trade war and the U.S. global trade policy against the PRC, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on the PRC economy. Failure of trade negotiations between the United States and China may lead to additional costs and unexpected consequences on the Group's business. More recently, the Russo-Ukrainian conflict has led to significant volatility in the global market across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. The adoption and expansion of trade restrictions, the occurrence of a trade war, the prolonged conflict between Russia and Ukraine or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact China's economy, which in turn could adversely impact the Group's business, financial condition and results of operations.

In March 2016, Moody's changed the PRC Government's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's downgraded the sovereign credit rating of the PRC from Aa3 to A1 and changed its outlook to "stable" from "negative", reflecting Moody's expectation that economy-wide debt in the PRC will continue to rise as potential growth slows. In September 2017, Standard & Poor's downgraded the sovereign credit rating of the PRC from AA-to A+, citing its concerns over the level of economic and financial risks within the PRC.

The outbreak of communicable diseases such as COVID-19 outbreak since January 2020 in mainland China on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. In addition, such outbreaks may result in restrictions on travel and public transport and prolonged closures of workplaces which may have a material adverse effect on the global economy. Any material changes in the financial markets or the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations. See *"– Risks relating to the Group's Business – The Group may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters."*

Any slow-down in the PRC economy may create a credit-tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

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

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rates, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain in the ownership of the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones, and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or the introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Various control measures by the PRC Government aimed at cooling the property industry could affect the Group's business and prospects.

The Group's primary land development business depends on the People's Government of Huzhou City's buy-back plan and revenue of the People's Government of Huzhou City from the sale of land. Any adverse development in the demand for properties, and any measure that the PRC Government may take in further restricting the growth of the property market in China, may adversely affect the demand for and price of land in Huzhou. If the Nantaihu New District reduces its buy-back amount of the land developed by the Group comparing to the historical buy-back amount of ETDZ Management Committee, or its revenue from the sale of land in the Nantaihu New District records a decline, the Group's profit from its primary land development business would decline accordingly.

The overall demand for residential and commercial properties in China has grown rapidly in recent years. However, the market has also experienced fluctuations in property prices during this period in response to PRC governmental policies and trends in the PRC economy. There have been increasing concerns over the affordability of housing and the sustainability of real estate market growth in China. As a result, the PRC Government has in recent years promulgated various control measures aimed at cooling the property sector. Recently, the property market in the PRC has witnessed significant slow-down due to various property sector control measures imposed by the PRC Government. Some local governments have reportedly relaxed property purchase restrictions, previously imposed as cooling measures, to help boost demand. Although the land use rights which the Guarantor holds are mainly located in important areas of the Huzhou ETDZ and possess significant potential for appreciation, the income from land acquisition and development relies heavily on the land and real estate market and macroeconomic situation, and macro adjustment and control policies, which may result in significant volatility in land prices and further affect the quality of the assets held by the Guarantor and the Guarantor's capability to generate profit and repay debts. There is no assurance that such measures will not continue to have a negative impact on the demand for new properties or over-development, or fail to prevent a market downturn, in Huzhou. Any continuing adverse development and the ensuing decline in property sales or reduction in property prices in Huzhou may adversely affect the land price of Huzhou, which in turn could affect the revenue from the sale of land developed by the Group. If the People's Government of Huzhou City reduces its annual buy-back amount of the land developed by the Group or decides not to compensate the Group for the loss of profit from primary land development, the Group's business and financial condition may be adversely affected.

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

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. 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 non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention.

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

The Guarantor and a number of its subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Guarantor's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Group, the Guarantor, any of their respective directors, supervisors or senior management in the PRC. See *"Risks Factors – Risks relating to the Bonds and the Guarantee – Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes."*

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

Most of the Group's operating revenue is denominated in Renminbi, which is also the reporting currency. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments on declared dividends, if any, on the Bonds. However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the holders of the Bonds in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The PRC government has no obligations under the Bonds or the Guarantee.

The Guarantor is wholly owned and controlled by Huzhou SASAC. Neither the People's Government of Huzhou City, Huzhou SASAC nor any other PRC governmental entity is an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee in lieu of the Issuer or the Guarantor. In addition, any ownership or control by the PRC Government does not necessarily correlate to, or provide any assurance as to, the Guarantor's financial condition. If the Guarantor does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Guarantor, rather than the PRC Government. The Guarantor should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The Bonds are solely to be repaid by the Issuer or the Guarantor, each as an obligor under the relevant transaction documents and as an independent legal person.

Investment in the Bonds is subject to foreign exchange risks.

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

The Bonds and the Guarantee are unsecured obligations.

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

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

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

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

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

Pursuant to the Terms and Conditions of the Bonds, the Issuer has the right to redeem the Bonds at any time in the event the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay any Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations as further described in “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*”. An investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

The Issuer may issue additional Bonds in the future.

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

Income or gains from the Bonds may be subject to income tax or value added tax (“VAT”) under PRC tax laws.

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

Under the EIT Law and its implementation rules, any income derived from or accruing in the PRC by its office or premises established in the PRC, and derived from or accruing outside the PRC for which the established office or premises has a de facto relationship, corporate income tax shall be payable by a non-resident enterprise; where the non-resident enterprise has no office or premises established in the PRC or the income derived or accrued has no de facto relationship with the office or premises established, corporate income tax shall be payable by the non-resident enterprise for income derived from or accruing in the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose management function is not carried out in the PRC. Such “non-resident enterprise” does not necessarily occupy any offices or premises in the PRC but does generate income from sources within the PRC. In the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future or the Guarantor is required to discharge its obligations under the Guarantee, interest paid on the Bonds or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10 per cent. from payments of interest in respect of the Bonds to any non-resident enterprise holders, unless a lower rate is applicable. Any capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10 per cent. if the Issuer is treated as a PRC tax resident enterprise. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise or in the event that the Guarantor is required to perform its obligations under the Guarantee, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax at a rate of 20 per cent. on payments of interests to non-resident individual holders of the Bonds. Any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. if the Issuer is a PRC tax resident enterprise.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) promulgated on 21 August 2006, with second protocol signed on 30 January 2018, the third protocol entered into force on 20 December 2010, the fourth protocol entered into force on 29 December 2015 and the fifth protocol entered into force on 31 December 2019 (collectively, the “**Arrangement**”), Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知)(Caishui [2016] No. 36, “**Circular 36**”), which was amended on 11 July 2017 and on 20 March 2019. Circular 36 introduced a new VAT from 1 May 2016. According to Circular 36, the entities and individuals providing the services, intangible assets or immovable property within the territory of the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is

located in the PRC. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Issuer is treated as a PRC tax resident enterprise. In such case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident enterprise and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the holders of the Bonds under the Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72 per cent. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties. If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

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

The Terms and Conditions of the Bonds and the transaction documents relating to the issue of the Bonds are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排)(the “**2006 Arrangement**”) which was signed on 14 July 2006, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by 2006 Arrangement. The new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (最高人民法院、香港特別行政區政府關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the “**2019 Arrangement**”) was signed on 18 January 2019. Following the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant procedures in the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall take effect. Upon commencement of the 2019 Arrangement, the

2006 Arrangement shall be repealed. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

The Issuer has limited assets, which affects its ability to make payments under the Bonds and relies on the cash flows generated by other members of the Group to meet its obligations under the Bonds.

The Issuer is a special purpose vehicle incorporated for the purpose of financing the business operations of the Group. Since its incorporation, the Issuer has had no substantive assets or any business operations other than entering into arrangements for the issue of the Bonds and other offshore debt securities and any other activities reasonably incidental thereto. After the Bonds are issued, it will on-lend the proceeds from the issuance to the Guarantor or any of its subsidiaries. Until the borrower makes a payment of principal or interest to the Issuer pursuant to the on-lending arrangement, or until the Guarantor or the other members of the Group inject capital into the Issuer via other means, the Issuer will have no substantive assets to finance the payments of any amount under the Bonds.

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

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. The Guarantor undertakes under the Terms and Conditions of the Bonds to file the Cross-Border Security Registration within 15 PRC Business Days (as defined therein) after the execution of the Deed of Guarantee. Although non-registration with SAFE does not render the Guarantee ineffective or invalid under the PRC laws, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the Cross-Border Security Registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the Cross-Border Security Registration in connection with the Guarantee in order to effect such remittance. As a result, there is no assurance that the Guarantor can remit money outside of the PRC to comply with its obligations under the Deed of Guarantee.

In addition, the administration of the Cross-Border Security Registration may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee with SAFE can be completed or that the registration with SAFE obtained by the Guarantor will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee in the PRC.

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

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

While the Bonds are evidenced by the Global Certificate, the Issuer, failing which, the Guarantor, will discharge its payment obligations under the Bonds or the Guarantee, as the case may be, by making payments to the relevant Clearing System for distribution to their accountholders. A holder of a beneficial interest in the Global Certificate must rely on the rules and procedures of the Clearing System(s) to receive payments under the Bonds and the Guarantee. None of the Issuer, the Guarantor the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

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

At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with any interest accrued up to but excluding the Put Settlement Date. If such an event were to occur or at maturity of the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem the relevant Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

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

As the Issuer is incorporated under the laws of the British Virgin Islands, and the Guarantor is a state-owned enterprise incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer and the Guarantor would likely involve insolvency laws of the British Virgin Islands or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

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

The Terms and Conditions of the Bonds will provide that the Trustee may, but shall not be obliged to, without the consent of the Bondholders, agree (i) to any modification of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee, that, in its opinion, is of a formal, minor or technical nature or made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and/or the Deed of Guarantee) of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

The Terms and Conditions of the Bonds will also contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders, including those Bondholders who did not attend and vote at the relevant meeting or participate in the written resolutions or electronic consents and those Bondholders who voted in a manner contrary to the majority. The Trust Deed will also provide that a written resolution signed, or an electronic consent given, by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as an Extraordinary Resolution duly passed at a meeting of Bondholders. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

In addition, the Trustee may (but shall not be obliged to) agree, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

The NDRC Foreign Debt Measures is a new regulation and the implementation of which may involve significant uncertainty.

Effective from 10 February 2023, the NDRC Foreign Debt Measures will supersede the NDRC Circular. While the Guarantor had obtained the pre-issue registration certificate under the NDRC Circular, the NDRC Circular will no longer be in force after the Issue Date. Under the new NDRC Foreign Debt Measures, the Guarantor will be required under the NDRC Foreign Debt Measures to notify the particulars of the issue of the Bonds within ten PRC working days after the issue of the Bonds. In addition, the Guarantor will also be required, among others, to submit relevant information on the Bonds within ten PRC working days upon the expiration of the NDRC certificate, and to complete periodic filling of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Guarantor's financial indicators within five PRC working days prior to the end of January and July each year. In case of any material circumstance which may adversely affect the performance of the Guarantor's debt obligations, including any potential non-repayment of debts and major asset restructuring, the Guarantor is required to report the relevant information and take risk control measures to prevent spillover of onshore default risk and cross-default risk.

However, the NDRC Foreign Debt Measures is new and its implementation may involve significant uncertainty. The administration and enforcement of the NDRC Foreign Debt Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Foreign Debt Measures have set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Foreign Debt Measures, the NDRC Foreign Debt Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. There is no assurance that the failure to comply with the NDRC Foreign Debt Measures would not result in adverse consequences on the Issuer's ability and the Guarantor's ability to perform in accordance with the terms and conditions of the Bonds or the enforceability of the Bonds.

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

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

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application has been made for the listing of the Bonds on the HKSE, no assurance can be given as to the liquidity of, or trading marked for, the Bonds. The Joint Lead Managers are not obligated to make a market in the Bonds, and if the Joint Lead Managers do so, it may discontinue such market making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the Bondholders will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the investors' obligation to ensure that offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. Please see "*Subscription and Sale*". Neither the Issuer nor the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

In addition, one or more initial investors in the Bonds may purchase a significant portion of the aggregate principal amount of the Bonds pursuant to the offering. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market. Accordingly, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If

such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities.

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

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

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

The market price of the Bonds may be adversely affected by declines in international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. In December 2016, the U.S. Federal Reserve raised interest rates for the first time in a year and only the second time since the 2008 financial crisis. The U.S. Federal Reserve further raised interest rates in 2017 and 2018 but lowered them in 2019 and 2020, where the decrease in interest rates in 2020 was due to the impact of the COVID-19 pandemic on the American economy. In 2022, the U.S. Federal Reserve spiked the interest rates multiple times due to high inflation rates in the U.S. and has showed no sign to slow down interest rate hikes. Further interest rate hikes may adversely affect the prices of U.S. dollar denominated bonds. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

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

TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.\$200,000,000 7.30 per cent. guaranteed bonds due 2026 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 of these Conditions (as defined below) and consolidated and forming a single series with the Bonds) was authorised by a resolution of the sole director of Huantaihu International Investment Co., Ltd. 环太湖国际投资有限公司 (the “**Issuer**”) passed on 21 November 2022 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Huzhou Economic Development Group Co., Ltd. (湖州經開投資發展集團有限公司) (the “**Guarantor**”) passed on 30 August 2022 and a shareholder decision of the Guarantor dated 26 September 2022.

The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated 16 February 2023 (the “**Issue Date**”) between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) dated the Issue Date executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated the Issue Date relating to the Bonds entered into between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as the principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Dublin Branch as the registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as the transfer agent (the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds) and any other agents named in it.

References herein to “**Paying Agents**” include the Principal Paying Agent and other paying agents appointed in connection with the Bonds, and references to “**Agents**” mean the Principal Paying Agent, any other Paying Agents, the Registrar, the Transfer Agent and their respective successors and any other agent or agents appointed from time to time with respect to the Bonds. For so long as any Bond is outstanding, copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by the holders (as defined below) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office of the Trustee (being as at the Issue Date at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) and at the specified office of the Principal Paying Agent, in each case following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

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

1 FORM, SPECIFIED DENOMINATION AND TITLE

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

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

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

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

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

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

2 TRANSFERS OF BONDS AND DELIVERY OF NEW CERTIFICATES

- (a) **Transfer:** A holding of Bonds may, subject to Conditions 2(d) and 2(e) and the provisions of the Agency Agreement, be transferred in whole or in part (which shall be in the Specified Denomination) upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in the Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

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

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt by any Transfer Agent or the Registrar of a duly completed form of transfer and surrender of the existing Certificate(s) and provision of any other evidence required by the relevant Transfer Agent or the Registrar pursuant to this Condition 2. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant

form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

- (c) **Transfer Free of Charge:** Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice in respect of such Bond has been deposited pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).
- (e) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement (the “**Regulations**”). Each of the Issuer and the Registrar may change the Regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) of the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholders and at the Issuer’s expense) by the Registrar to any Bondholder upon written request and proof of holding and identity satisfactory to the Registrar and is available for inspection at the specified offices of the Transfer Agents following prior written request and proof of holding and identity satisfactory to the relevant Transfer Agent. No transfer of title to a Bond will be valid unless and until entered on the Register.

3 GUARANTEE AND STATUS

(a) **Guarantee:**

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

(b) **Status:**

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

4 COVENANTS

(a) **Negative Pledge:**

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

(b) **Undertakings relating to the Guarantee:** The Guarantor undertakes to register or cause to be registered with the State Administration of Foreign Exchange of the PRC or its local counterparts ("SAFE") the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use all reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the Guarantee.

(c) **Undertakings relating to NDRC:** The Guarantor undertakes to file with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents relating to the issue of the Bonds within ten PRC Business Days after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》), the "**NDRC Foreign Debt Measures**") effective from 10 February 2023 and any applicable implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and shall comply with all applicable PRC laws and regulations in connection with the Bonds (including but not limited to any related filing requirement under the NDRC Foreign Debt Measures).

(d) **Notification of Completion of the NDRC Post-issue Filing and the Cross-Border Security Registration:** The Guarantor shall, within ten PRC Business Days after the later of the submission of the NDRC Post-issue Filing and the receipt of the registration certificate from SAFE (or any other document evidencing the completion of Cross-Border Security Registration), provide the Trustee with: (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the NDRC Post-issue Filing and the Cross-

Border Security Registration; and (ii) copies of the relevant documents evidencing the NDRC Post-issue Filing (if any) and the SAFE registration certificate(s) or any other document evidencing the completion of the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the documents referred to in (i) and (ii) together, the “**Registration Documents**”). In addition, the Guarantor shall procure that within ten PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Cross-Border Security Registration.

The Trustee and the Agents may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the filing or registration of the Bonds or the Deed of Guarantee with SAFE on or before the Registration Deadline or the NDRC Post-issue Filing within the timeframe specified in Condition 4(c) or to verify the accuracy, completeness, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the NDRC Post-issue Filing and/or the Registration Documents and/or the information and documents filed with the NDRC in the course of the NDRC Post-issue Filing and/or the documents evidencing the NDRC Post-issue Filing (if any) or to procure that any Registration Document or any other certificate, confirmation, information or document filed with the NDRC in the course of the NDRC Post-issue Filing not in English is translated into English or, if any English translation of any document is provided or retained, to verify the accuracy of any English translation of any Registration Document or any other certificate, confirmation or document or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration and/or the NDRC Post-issue Filing, and shall not be liable to the Issuer, the Guarantor, the Bondholders or any other person for not doing so.

- (e) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of bonds and other offshore debt securities and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the bonds and other offshore debt securities to any other Subsidiaries of the Guarantor).
- (f) **Financial Statements:** So long as any Bond remains outstanding, the Issuer and the Guarantor shall furnish the Trustee with:
 - (i) within 180 calendar days of the end of each Relevant Period, a Compliance Certificate of each of the Issuer and the Guarantor (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Guarantor Audited Financial Reports prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (i) a nationally or internationally recognised firm of accountants or (ii) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate;
 - (ii) within 120 calendar days of the end of each Relevant Period, a copy of the Guarantor Unaudited Semi-Annual Management Accounts within and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (i) a nationally or internationally recognised firm of accountants or (ii) a professional translation service provider and checked and confirmed by a nationally or

internationally recognised firm of accountants together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

- (iii) a Compliance Certificate of the Issuer and/or the Guarantor (as the case may be) (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) within 14 days of any request therefor from the Trustee.

The Trustee shall be entitled to assume that any English translation of any Guarantor Audited Financial Reports or any Guarantor Unaudited Semi-Annual Management Accounts is a complete and accurate translation of the original, and may rely conclusively without liability to any Bondholder, the Issuer, the Guarantor or any other person on any such translation.

(g) **Definitions:** In these Conditions:

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

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

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

“Guarantor Unaudited Semi-Annual Management Accounts” means, for a Relevant Period, the unaudited and unreviewed consolidated income statement, balance sheet and statement of cash flows of the Guarantor, prepared in accordance with the applicable PRC GAAP;

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

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

“Principal Subsidiary” means any Subsidiary of any company:

- (i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least three per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the relevant company and its Subsidiaries; or

- (ii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least three per cent. of the amount which equals the amount included in the consolidated total assets of the relevant company and its Subsidiaries as shown by the latest audited consolidated balance sheet of the relevant company and its Subsidiaries including, for the avoidance of doubt, the investment of the relevant company in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the relevant company and after adjustment for minority interests; or
- (iii) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate) of the relevant company prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i) or (ii) above of this definition;

provided that, in relation to paragraphs (i) and (ii) above of this definition:

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

A certificate signed by an Authorised Signatory of the Issuer or of the Guarantor (as the case may be) stating that, in the opinion of the Issuer or the Guarantor (as the case may be), a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer or (as the case may be) the Guarantor shall, in the absence of manifest error, be conclusive and binding on all parties;

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

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

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

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

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

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

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 16 February 2023 at the rate of 7.30 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$36.5 per Calculation Amount (as defined below) on 16 February and 16 August in each year (each an “**Interest Payment Date**”), commencing on 16 August 2023.

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

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

In these Conditions, the period beginning on and including 16 February 2023 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

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

6 REDEMPTION AND PURCHASE

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 February 2026. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice in accordance with Condition 16 to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any interest accrued to but excluding the date fixed for redemption, if the Issuer or, if the Guarantee was called, the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 13 February 2023, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

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

- (A) a certificate of the Issuer signed by an Authorised Signatory of the Issuer (or a certificate of the Guarantor signed by an Authorised Signatory of the Guarantor, as the case may be) in English stating that the obligation referred to in sub-paragraph (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent tax or legal advisers of recognised standing to the effect that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion without further investigation or query and without liability to the Bondholders or any other person as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

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

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

The "**Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(c). A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall be responsible or liable to the Bondholders, the Issuer, the Guarantor or any other person for any loss or liability arising from any failure to do so. The Trustee shall have no obligation or duty to investigate or verify the accuracy, content, completeness, validity and/or genuineness of any documents provided to it by the Issuer, the Guarantor or any other person as part of or in connection with or to enable satisfaction of the Registration Condition, and shall not be responsible or liable to Bondholders, the Issuer, the Guarantor or any other person for any loss or liability arising from so doing.

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

In this Condition 6:

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

- (i) (A) Huzhou SASAC, Huzhou City Government, Zhejiang Province Government or PRC Central Government (collectively, the "**PRC Government Persons**", and each a "**PRC Government Person**") and/or (B) any other person directly or indirectly controlled by a PRC Government Person together cease to directly or indirectly hold or own 85 per cent. of the issued share capital of the Guarantor; or

- (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons, acting together, except where any PRC Government Person(s) (whether singly or in combination) directly or indirectly hold or own 85 per cent. of the issued share capital of such person(s) (in the case of an asset sale or transfer) or the surviving entity (in the case of a consolidation or merger); or
- (iii) the Guarantor ceases to hold or own, directly or indirectly, 85 per cent. of the equity interests of the Issuer.

“**Huzhou SASAC**” means the State-owned Assets Supervision and Administration Commission of the People's Government of Huzhou City or its successor.

a “**No Registration Event**” occurs when the Registration Conditions are not satisfied by 10:00 a.m. (London time) on the Registration Deadline;

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

“**Registration Conditions**” means the receipt by the Trustee of the certificate referred to in sub-paragraph (i) of Condition 4(d) and those Registration Documents referred to in sub-paragraph (ii) of Condition 4(d) relating to the registration of the Guarantee with the SAFE; and

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

- (d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

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

- (e) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12 and 13.
- (f) **Cancellation:** All Certificates representing the Bonds purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. The

Bonds represented by any Certificate so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made by transfer to the registered account of the holder of such Bond. For the purposes of this Condition 7(a), a holder’s “**registered account**” means the U.S. dollar-denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

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

- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents in accordance with the Trust Deed and the Agency Agreement, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

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

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of U.S. dollar payments in New York City and the place in which the specified office of the Principal Paying Agent is located and the relevant place of presentation (if surrender of the relevant Certificate is required).

8 TAXATION

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 13 February 2023 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (a) **Other Connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, assessments, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Bonds or the Guarantee or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charges, assessments, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

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

- (a) **Non-Payment:** there has been a failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) interest on any of the Bonds within 14 days after the due date for such payment; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than any failure to perform that gives rise to a right of redemption by the Bondholders pursuant to Condition 6(c)), which default is in the opinion of the Trustee incapable of remedy or, if such default is in the opinion of the Trustee capable of remedy, such default is not remedied within 30 days after notice in writing of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.\$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Principal Subsidiaries on all or substantially all of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer, the Guarantor or any of their respective Principal Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or substantially all its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or substantially all the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or
- (g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, or the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) and/or other of their respective Subsidiaries, or (iii) for a members' voluntary solvent winding-up of any Principal Subsidiary (other than the Issuer and the Guarantor), or (iv) for a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Issuer, the Guarantor and/or other their respective Subsidiaries; or
- (h) **Nationalisation:** (i) any seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries taken by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries is prevented by any such person from exercising normal control over all or substantially all of its undertaking, assets and revenues; or

- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (k) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive).

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

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

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee upon request in writing from Bondholders holding not less than ten per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than fifty per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on

which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

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

- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee, that, in its opinion, is of a formal, minor or technical nature or made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and/or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable in accordance with Condition 16.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

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

14 INDEMNIFICATION OF THE TRUSTEE

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

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not delivered or obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Bondholders and, if delivered or obtained by the Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor or any person who controls the Issuer or the Guarantor, or any report, confirmation, certificate, information, advice or opinion from an Authority addressed to the Issuer or the Guarantor and sent to the Issuer or, as the case may be, the Guarantor or any Subsidiary of the Issuer or the Guarantor or any person who controls the Issuer or the Guarantor by such Authority, whether pursuant to these Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee or otherwise, the Issuer or the Guarantor (and for the avoidance of doubt, the reliance by the Trustee on any such report, confirmation, certificate, information, advice or opinion delivered or obtained by the Issuer or the Guarantor or any Subsidiary of the Issuer or the Guarantor or any person who controls the Issuer or the Guarantor or addressed to the Issuer or the Guarantor and sent to the Issuer or, as the case may be, the Guarantor or any Subsidiary of the Issuer or the Guarantor or any person who controls the Issuer or the Guarantor by any Authority shall not be deemed under any circumstances to constitute fraud, gross negligence or wilful default on the part of the Trustee).

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders.

The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Relevant Event has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions, and none of them shall be liable to the Bondholders or any other person for not doing so.

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

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for compliance with the requirements set out in these Conditions in relation to the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 15 and consolidated and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it may only be issued if (i) a further or supplemental deed of guarantee is issued by the Guarantor (or an amendment is made to the Deed of Guarantee) on terms that are substantially similar to the Deed of Guarantee; and (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Deed of Guarantee in these Conditions, the Trust Deed and the Agency Agreement shall thereafter include any such further or supplemental deed of guarantee or an additional deed of guarantee.

16 NOTICES

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

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

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18 GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bond, the Deed of Guarantee, the Trust Deed or the Agency Agreement (“**Proceedings**”) may be brought in such courts. Each of the Issuer, the Guarantor, the Trustee and the Agents has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to the Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints The Law Debenture Corporation (H.K.) Limited at Suite 1301, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as its authorised agent in Hong Kong to accept service of process in any Proceedings in Hong Kong based on any of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement (as applicable). If for any reason the Issuer and/or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and will notify the Trustee of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

PAYMENT

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

TRUSTEE’S POWERS

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

NOTICES

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

TRANSFERS

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

CANCELLATION

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

MEETINGS

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

BONDHOLDER'S REDEMPTION

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

ISSUER'S REDEMPTION

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

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

USE OF PROCEEDS

The gross proceeds from this offering, before deducting commissions and other estimated expenses payable in connection with the offering, is U.S.\$200,000,000. The net proceeds will be used for refinancing offshore indebtedness.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total owner's equity and total capitalisation of the Group as at 30 June 2022 (i) on an actual basis, and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Group's Interim Financial Statements and the notes to those financial statements included elsewhere in this Offering Circular.

	As at 30 June 2022			
	Actual		As Adjusted	
	(RMB'000)	(U.S.\$'000) ⁽¹⁾	(RMB'000)	(U.S.\$'000) ⁽¹⁾
Current indebtedness:				
Short-term borrowings	5,445,194	812,946	5,445,194	812,946
Non-current liabilities maturing within one year ⁽²⁾ . . .	8,264,102	1,233,798	8,264,102	1,233,798
Total current indebtedness	13,709,296	2,046,744	13,709,296	2,046,744
Non-current indebtedness:				
Long-term borrowings	9,686,380	1,446,138	9,686,380	1,446,138
Long-term payables ⁽²⁾	4,959,303	740,404	4,959,303	740,404
Bonds payable	14,233,039	2,124,937	14,233,039	2,124,937
Other non-current liabilities	2,006,576	299,574	2,006,576	299,574
Bonds to be issued ⁽³⁾	—	—	1,339,620	200,000
Total non-current indebtedness	30,885,298	4,611,054	32,224,918	4,811,053
Total indebtedness⁽⁴⁾	44,594,594	6,657,798	45,934,214	6,857,797
Total owners' equity	24,676,903	3,684,165	24,676,903	3,684,165
Total capitalisation⁽⁵⁾	69,271,497	10,341,962	70,611,117	10,541,962

Notes:

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.6981 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System on 30 June 2022.
- (2) Interest-bearing portion only.
- (3) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting underwriting fees and commissions and other expenses payable in connection with the offering of the Bonds.
- (4) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.
- (5) Total capitalisation represents the sum of total indebtedness and total owners' equity.

Since 30 June 2022, the Group has, in its ordinary course of business, entered into additional financing arrangements onshore to finance its business needs, increasing short-term borrowings and long-term borrowings, which resulted in a material increase in its total indebtedness. For example, on 13 December 2022, the Guarantor issued the 2027 RMB MTN Notes. The 2027 RMB MTN Notes bear a fixed interest rate of 5.50 per cent. per annum with interests to be paid annually. As at the date of this Offering Circular, the entire principal amount of the 2027 RMB MTN Notes remains outstanding.

Except as otherwise disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2022.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a company limited by shares incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1920879). It was incorporated in the British Virgin Islands on 12 August 2016. The Issuer is a wholly-owned subsidiary of Zhejiang Huzhou Huantaihu Group Co., Ltd., and the Guarantor holds 100.0 per cent. of the shares of Zhejiang Huzhou Huantaihu Group Co., Ltd.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, and the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Bonds and other offshore debt securities and any other activities reasonably incidental thereto. Save for the U.S.\$200,000,000 4.50 per cent. guaranteed bonds due 2023 issued by the Issuer and unconditionally and irrevocably guaranteed by the Guarantor, it has no other outstanding debt and contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries.

SOLE DIRECTOR

The sole director of the Issuer is Zhejiang Huzhou Huantaihu Group Co., Ltd. which is also the sole shareholder of the Issuer. As at the date of this Offering Circular, the Issuer does not have any employees.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of one class with U.S.\$1.00 par value each and one share has been issued to and is being held by Zhejiang Huzhou Huantaihu Group Co., Ltd. The register of members of the Issuer is maintained at its registered office located at Ritter House, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL STATEMENTS

Under British Virgin Islands laws, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Effective from 1 January 2023, the Issuer is also required to file a financial annual return with its registered agent within nine months after the end of each year to which the financial annual return relates.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District as measured by total assets as at 30 June 2022. The Company is wholly owned by Huzhou SASAC.

The Group principally engages in (i) primary land development, (ii) infrastructure construction contracting, which mainly involves affordable housing construction and infrastructure construction and development, (iii) commodity trading and (iv) ancillary businesses. Set out below is an overview of the business segments of the Group:

- **Primary Land Development:** Primary land development is one of the core business segments of the Group. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 19.2 per cent., 20.3 per cent., 20.7 per cent., nil and nil of the total revenue of the Group, respectively. The Group is a key land developer in Huzhou. As at 30 June 2022, approximately 91.22 square kilometres lands have been primarily developed by the Group.
- **Infrastructure Construction Contracting:** Infrastructure construction contracting has been the other core business segment of the Group. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 79.6 per cent., 32.9 per cent., 39.4 per cent., 38.3 per cent. and 63.1 per cent. of the total revenue of the Group, respectively. The Group's infrastructure construction involves affordable housing construction, municipal roads, bridges, landscape engineering, piping networks and water supply.
- **Commodity Trading:** Leveraging its strong regional presence and various procurement channels, the Group started its commodity trading business in 2020. For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 44.3 per cent., 34.8 per cent., 57.4 per cent. and 27.4 per cent. of the total revenue of the Group, respectively. The Group carries out its commodity trading business mainly through its subsidiaries, Huzhou Ruizhong Trading Co., Ltd. (湖州睿眾貿易有限公司) and Huzhou Ruijing Trading Co., Ltd. (湖州睿璟貿易有限公司), which are primarily engaged in the commodity trading of agricultural and chemical products.
- **Ancillary Businesses:** The Group has been expanding its scope of businesses to diversify its sources of revenue. In addition to primary land development, infrastructure construction contracting and commodity trading businesses, the Group also engages in ancillary businesses, including housing sales, asset leasing and property management and other ancillary businesses.

The following table sets out a breakdown of the total revenue by business segment and as a percentage of the total revenue for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB	per cent.	RMB	per cent.	RMB	per cent.	RMB	per cent.	RMB	per cent.
	('000)	of total	('000)	of total	('000)	of total	('000)	of total	('000)	of total
	(Audited)						(Unaudited but reviewed)			
Primary land development ⁽¹⁾	510,322	19.2	629,130	20.3	501,262	20.7	-	-	-	-
Infrastructure construction contracting ⁽²⁾	2,117,685	79.6	1,016,726	32.9	954,511	39.4	511,143	38.3	603,424	63.1
Commodity Trading	-	-	1,369,549	44.3	841,730	34.8	765,467	57.4	261,519	27.4
Ancillary businesses ⁽³⁾	33,213	1.2	76,458	2.5	122,800	5.1	57,545	4.3	90,789	9.5
Total	2,661,220	100.0	3,091,863	100.0	2,420,303	100.0	1,334,154	100.0	955,732	100.0

Notes:

- (1) Revenue from this business comprises revenue from “Land Consolidation and Development Income” reported in the Group’s Financial Statements of the respective period.
- (2) Revenue from this business comprises revenue from “Entrusted Construction Projects” reported in the Group’s Financial Statements of the respective period.
- (3) Revenue from this business comprises revenue from “Real Estate Sales”, “Asset Rental”, “Property Management Income”, “Hotel Operation”, “Canteen Catering Income”, “Energy Consumption Income” and “Others” reported in the Group’s Financial Statements of the respective period.

The following table sets out a breakdown of the gross profit by business segment and as a percentage of the gross profit for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB	per cent.	RMB	per cent.	RMB	per cent.	RMB	per cent.	RMB	per cent.
	(’000)	of total	(’000)	of total	(’000)	of total	(’000)	of total	(’000)	of total
	<i>(Audited)</i>						<i>(Unaudited but reviewed)</i>			
Primary land development	76,953	26.2	104,855	41.3	83,544	34.1	–	–	–	–
Infrastructure construction contracting . . .	224,695	76.6	137,931	54.4	128,838	52.5	68,115	78.8	82,858	68.8
Commodity Trading	–	–	1,046	0.4	804	0.3	749	0.9	3,772	3.1
Ancillary businesses	(8,421)	(2.8)	9,778	3.9	32,146	13.1	17,555	20.3	33,832	28.1
Total	293,227	100.0	253,610	100.0	245,332	100.0	86,419	100.0	120,462	100.0

OVERVIEW OF HUZHOU AND NANTAIHU NEW DISTRICT

Huzhou is located in northern Zhejiang Province with an area of 5,820 square kilometres and a population of 3.4 million by the end of 2021. Huzhou is the geographic centre among Shanghai, Hangzhou and Nanjing. It is at the central area of Yangzi Delta Region (長三角地區) with well-structured transportation network such as highways, railways and water tunnel. It has one shipping port, three railways and five highways, connecting it with other cities in the Yangtze River Delta Zone. Huzhou’s gross regional product (“GRP”) increased by 7.9 per cent., 3.3 per cent. and 9.5 per cent. for the years ended 31 December 2019, 2020 and 2021, respectively, on a year-on-year basis. Secondary and tertiary industries dominantly contributed to Huzhou’s GRP. With the commencement of operation of several intercity-highways such as G25 Changshen, G50 Huyu, S12 Shenjiahu, National Highway 104 and 318, Huzhou is developing to be the transport hub of Yangzi Delta Region. In addition, Huzhou was awarded, among others, National Ecological Civilisation Demonstration Zone (全國生態文明先行示範區), National Innovative Experimental City (國家創新型試點城市), Made in China 2015 Experimental City (中國製造2025試點示範城市), National Financial Reform and Innovation Experimental Zone (國家金融改革創新試驗區) and Top 100 City on Comprehensive Strengths (全國城市綜合實力百強城市).

Nantaihu New District was established in April 2019. It includes, among other places, two national level zones: Huzhou ETDZ (湖州經濟技術開發區) and Huzhou Tai Lake Tourism and Vacation Zone (湖州太湖旅遊度假區), a nationally recognised attraction and provincially recognised ecological tourism model area. Upon establishment, Nantaihu New District has attracted many projects with large investment, such as construction of factories to produce smart farming machines, hotel and resorts and construction of movie sceneries site zone. Nantaihu New District has also facilitated financial support in the area to ensure its rapid development. For example, the Nantaihu New District Management Committee has entered comprehensive strategic cooperative agreement with Zhengjiang Branch of China Construction Bank. Nantaihu New District will focus on promotion of digital economy, biotechnology and pharmaceutical, banking and financing, tourism and other industries in within the district.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths as outlined below distinguish it from its competitors and are important to its success and future development:

Well-positioned to leverage the strategic location of Huzhou and economic prospects of Nantaihu New District

Huzhou is the geographic centre among Shanghai, Hangzhou and Nanjing. It is at the central area of Yangzi Delta Region (長三角地區) with well-structured transportation network such as highways, railways and water tunnel. For the year ended 31 December 2021, Huzhou's GRP growth rate ranked second in Zhejiang Province according to Huzhou Bureau of Statistics. Huzhou was awarded, among others, National Ecological Civilisation Demonstration Zone (全國生態文明先行示範區), National Innovative Experimental City (國家創新型試點城市), Made in China 2015 Experimental City (中國製造2025試點示範城市), National Financial Reform and Innovation Experimental Zone (國家金融改革創新試驗區) and Top 100 City on Comprehensive Strengths (全國城市綜合實力百強城市). Considering the economic growth and the geographic advantage and development potential of Huzhou, the Group believes that the demand for land development and construction services that it offers will further increase. Tasked by Huzhou ETDZ, a component of Nantaihu New District, Zhejiang Huantaihu and Huzhou Xisaishan have completed primary land development with aggregate area of 91.22 square kilometres as at 30 June 2022. Building upon this success, the Group believes it is well-positioned to be awarded more primary land development projects within Nantaihu New District.

The largest and key state-owned primary land developer and infrastructure construction service provider in Nantaihu New District

The Group is the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District in terms of total assets as at 30 June 2022. Since January 1996, the Company's subsidiaries Zhejiang Huantaihu and Huzhou Xisaishan have been designated to carry out the People's Government of Huzhou City's blueprint for urban construction and municipal development in the Huzhou ETDZ and subsequently the development of Nantaihu New District. Over the years, the Group has actively responded to the government's urban development plan and has played an important role in the urbanisation of Huzhou. The Group engaged in infrastructure projects that are key to the urban development of Huzhou, such as North Outer Road and its Connections (外環北路及其連接線), Tiegongshui Modern Logistics Project at Nantaihu Industrial Concentration Area (南太湖產業集聚區鐵公水現代物流項目) and Huzhou Municipal General Transport Hub to 11 Provinces Connections Project (湖州市綜合交通樞紐至11省道連接線工程).

The Group's extensive operational experience over land development and key infrastructure construction projects in Huzhou has provided it with in-depth regional knowledge and abundant experience. The strength of the Group's local connections and broad experience allow the Group to anticipate challenges and deliver specialised solutions across a project's entire lifecycle, allowing it to continue to be a preferred service provider for land development and infrastructure construction in Huzhou. Huzhou's urbanisation plan, which heightens the needs for infrastructure, transportation and trade developments, is expected to continue to provide the Group with market opportunities.

Strategic relationship with the Nantaihu New District Management Committee and the People's Government of Huzhou City

As the largest primary land developer and infrastructure construction service provider in Nantaihu New District, the Group had maintained a strategic relationship with the Huzhou ETDZ Management Committee, the People's Government of Huzhou City and the Nantaihu New District Management Committee. Such relationships are critical to the Group's implementation of capital-intensive and large-scale projects. The Group has established constructive working relationships with the People's Government of Huzhou City and has become a reliable business partner to it. Some of the cooperation between Group members and government agencies traced back to January 1996. In addition, several

members of the Group were established by government agencies. For example, Zhejiang Huantaihu was established by the management committee of Zhejiang Provincial Huantaihu External Comprehensive Development Zone and Zhejiang Huzhou Taihu Management Bureau and Huzhou Xisaishan was established by Huzhou SASAC.

The Company is wholly-owned by Huzhou SASAC. It benefits from the direction and support of Nantaihu New District Management Committee, which the Company is administered by and reports to. The Group has received strong operational support from the Huzhou ETDZ Management Committee and the People's Government of Huzhou City. With the direction and support of these governmental entities, the Group is able to gain access to significant market opportunities and achieve a strong presence in the infrastructure construction market in Huzhou. Having a record of providing construction service with high quality, Huzhou ETDZ Management Committee and Nantaihu New District Management Committee have entrusted the Group with large amount of primary land development, affordable housing and infrastructure construction projects. The Huzhou ETDZ Management Committee and the Nantaihu New District Management Committee have also provided government grants to the Group since Nantaihu New District was established. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group received government grants in amount to RMB379.0 million, RMB379.0 million, RMB424.1 million, RMB143.0 million and RMB140.4 million, respectively. The Group believes that the constructive working relationship will continue to benefit the Group by provision of sustained business opportunities and steady cash flow.

Access to diversified financing channels

The Group has access to diversified financing channels to fund its projects. The Group has maintained close cooperation and established strategic relationships with a number of major commercial banks. The Group maintains a good credit rating with these commercial banks which helps the Group obtain financing on competitive terms. The Group also entered into cooperative agreements with banks such as China Construction Bank and Shanghai Pudong Development Bank Co., Ltd., Huzhou Branch. As at 30 June 2022, the Group's average cost of financing was 6.23 per cent. In addition, as an important regional state-owned enterprise, the Group has ready access to the debt market in the PRC to fund its capital needs. As at 30 June 2022, the Group had successfully issued corporate bonds with an aggregate principal amount of RMB7,500 million, mid-term notes with an aggregate principal amount of RMB4,500 million, private placement notes with an aggregate principal amount of RMB3,640 million and U.S. denominated notes with a principal amount of U.S.\$200 million. As at 30 June 2022, the Group received credit facilities from 32 banks and financial institutions in a total amount of RMB20,276 million, of which RMB2,771 million had not been used.

Experienced management team with sound corporate governance

The Group has established a sound and effective corporate governance structure which is in line with modern corporate practice. Its corporate governance system covers occupational safety, risk management and capital management. The Guarantor has set out daily management system, engineering project management system and financing management system to regulate different aspects of the Group's daily operations.

The Group's senior management and the government regularly conduct in-depth discussions of the key investment projects, and essential appraisal procedures are conducted before investment decisions are taken. The Group has an experienced senior management team with extensive experiences in the management of large state-owned enterprises and companies operating in the same business sectors as the Group. See "*Directors, Supervisors and Senior Management of the Guarantor*." Under the sound leadership of its management team, and leveraging its members' past experience, the Group has throughout its history successfully achieved its objectives and distinguished itself from its competitors.

BUSINESS STRATEGIES

The Group aims to maintain its leading position in implementing the People's Government of Huzhou City's blueprint of urban construction and rural development. In addition, it also plans to develop new business segments. Its goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. The Group intends to focus on the following strategies:

To continue its focus on primary land development and infrastructure construction

Primary land development and infrastructure construction contracting will continue to be the Group's operation focus. The Group will be solidifying its position as a key primary land developer and infrastructure construction service provider in Huzhou. The Group plans to continue to enhance the integration of its full range of expertise, encompassing infrastructure design, financing, construction and operation. The Group intends to continue to work closely with the People's Government of Huzhou City and the Nantaihu New District Management Committee to explore innovative models to participate in infrastructure construction projects. The Group believes this will further contribute to the development of Huzhou.

To further diversify its business portfolio and develop senior care-related business

The Group intends to diversify its business portfolio and to create new sources of revenue. With high growth potential in Yangzi Delta Region and policies which favour senior care-related business such as the establishment of 4th series of family and community senior care reform cities (第四批居家和社區養老服務改革試點城市) and the establishment of Yangzi Delta Region Health Pioneer Model Area (長三角健康先行示範區), the Group plans to develop branded senior care institutions with professional caring training and management service. As at 30 June 2022, the Group has established two senior care centres and expects to provide caring service to more than 400 seniors in total. The Group will also tentatively develop secondary land development business, with its expertise and experience derived from housing sales and primary land development. The Group believes that such expansion will stabilise its cash flow and increase its ability to finance key construction projects in Huzhou.

To continue to explore diverse financing channels and optimise the Group's debt structure

The Group intends to continue to maintain close relationships with various banks and financial institutions in the PRC to source funding for its new projects in a timely and cost-effective manner. Through regular contact with the various commercial banks and financial institutions, the Group intends to obtain up-to-date information and carry out negotiations in relation to financing and secure funding for its projects. The Group will also closely follow recent national credit policies and explore new financing channels to diversify its sources of financing. The Group also intends to optimise its funds management system to further enhance its efficient use of proceeds from bank loans and onshore and offshore debts.

To adhere to prudent financial management with stringent risk control

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. The Group will continue to implement and enhance its prudent financial management system with well-defined policies and procedures, including stringent financial reporting and control system that emphasises centralised management and administration, consistent controlling policies and full compliance with legal and regulatory requirements, capital management mechanism to monitor capital, capital efficiency and capital risk prevention, thereby effectively enhancing the results and efficiency of the overall management. The Group will also implement prudent investment policy that targets to achieve balance between assets and liabilities, between investment return and risk taking and between principal business and other ancillary business. The Group will also strengthen cooperation with banks and seek alternative sources of financing and maintain a balanced indebtedness structure consisting of private placement, medium-term and long-term credit facilities and corporate bonds. Further, the Group will closely monitor the changes in foreign

exchange market to manage the risks relating to its assets and liabilities denominated in foreign currencies. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

RECENT DEVELOPMENT

The 2022 Quarterly Financial Statements (unaudited)

Based on the Group's 2022 Quarterly Financial Statements, for the nine months ended 30 September 2022, the Group recorded a decrease in revenue and a corresponding decrease in cost of sales as compared to the same period last year. The decrease in revenue was primarily attributable to the slowdown of the Group's commodity trading business. As a result of the foregoing, the Group's profit from operations and net profit for the nine months ended 30 September 2022 decreased as compared to the same period in 2021.

As at 30 September 2022, the Group's total current assets increased as compared to the balance as at 31 December 2021 primarily due to significant increases in prepayments, other receivables and inventories which were partially offset by a decrease in accounts receivable. As at 30 September 2022, the Group's total non-current assets increased as compared to the balance as at 31 December 2021 primarily due to an increase in long-term equity investments. Total liabilities of the Group as at 30 September 2022 also increased, which was primarily attributable to increases in short-term borrowings, contract liabilities and long-term borrowings, as compared to their respective balances as at 31 December 2021.

The 2022 Quarterly Financial Statements are based on the Group's internal records and management accounts which have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed consolidated interim financial information is not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2022 or any period thereafter. Consequently, potential investors should not rely on such interim financial information to evaluate the Group's financial condition and results of operations. For the avoidance of doubt, the 2022 Quarterly Financial Statements are not incorporated by reference herein and do not constitute part of this Offering Circular.

Issuance of Onshore Notes

On 13 December 2022, the Guarantor issued the 2027 RMB MTN Notes. The 2027 RMB MTN Notes bear a fixed interest rate of 5.50 per cent. per annum with interests to be paid annually. As at the date of this Offering Circular, the entire principal amount of the 2027 RMB MTN Notes remains outstanding.

AWARDS AND RECOGNITIONS

The Group has received a number of awards and recognitions in recent years that reflect the Group's outstanding business achievements and project execution capabilities:

Year	Awards/Recognitions	Awarding Institutions
June 2022	Huzhou Feiying Cup, Green Construction Quality Award (飛英杯綠化工程品質獎)	Huzhou Housing and Urban-Rural Development Bureau (湖州市住房和城鄉建設局)
March 2022	2021 Outstanding Project Construction Unit (年度專案建設先進單位)	Huzhou ETDZ
August 2021	Excellent Landscape Engineering Award (優秀園林工程獎)	Zhejiang Sightseeing Garden Association (浙江省風景園林學會)

Year	Awards/Recognitions	Awarding Institutions
June 2021	Huzhou Feiying Cup, Green Construction Quality Award (飛英杯綠化工程品質獎)	Huzhou Green Garden Industry Association (湖州市園林綠化行業協會)
February 2021.	2020 Outstanding Unit of Foreign Investment Promotion Work (2020年度全區招商引資工作先進集體)	Huzhou ETDZ
August 2020.	Zhejiang Outstanding Construction and Decoration Project (浙江省優秀建築裝飾工程)	Zhejiang Construction and Decoration Industry Association (浙江省建築裝飾行業協會)
March and April 2019	2019 Huzhou Feiying Cup Municipal Construction Quality Award (2019年度湖州市飛英杯市政工程品質獎)	Huzhou City Industry Association (湖州市政行業協會)
September 2018 . . .	Zhejiang Province Excellent Garden Construction Bronze Award (浙江省優秀園林工程銅獎)	Zhejiang Sightseeing Garden Association
February 2018.	Outstanding Group (先進集體) with regard to Ecology and Environment Protection for Year 2017	Huzhou ETDZ
November 2017. . . .	Group Award (集體嘉獎) Government with regards to Creation National Civilized City (創建全國文明城市) for Year 2017	People's Government of Huzhou City
January 2017	Huzhou Roads and Tunnels Construction Safe Site Model Project for Year 2016 (2016年度湖州市公路水運工程平安工地建設示範工程)	Huzhou Bureau of Communication and Transmission

HISTORY AND DEVELOPMENT

The Company was established in June 2013. Huzhou SASAC transferred 89.5 per cent. of the equity interests in Zhejiang Huantaihu and 97.3 per cent. of the equity interests in Huzhou Xisaishan to the Company at nil consideration in November 2018. As at 30 June 2022, the registered capital of the Company is RMB2,000 million and the paid-in capital of the Company is RMB500 million. Set out below are certain key events and milestones of the Group:

1996	On 28 January 1996, Zhejiang Huantaihu was established by the management committee of Zhejiang Provincial Huantaihu Agricultural External Comprehensive Development Zone and Zhejiang Huzhou Taihu Management Bureau with an initial registered capital of RMB30.0 million paid by the management committee of Zhejiang Provincial Huantaihu Agricultural External Comprehensive Development Zone (浙江省環太湖農業對外綜合開發區管理委員會) and Zhejiang Huzhou Taihu Management Bureau (浙江湖州太湖管理局), each subscribing for RMB15.0 million.
2009	On 11 September 2009, Huzhou Xisaishan was established by Huzhou SASAC with a registered capital of RMB500 million.
2012	In November 2012, Zhejiang Huantaihu successfully issued corporate bonds in the PRC in the principal amount of RMB1.2 billion. Zhejiang Huantaihu was assigned a long-term credit rating of “AA” and the corporate bonds a credit rating of “AA+” by Pengyuan Credit Rating Co., Ltd.
2013	On 24 June 2013, the Company was established by Huzhou Xincheng Public Utility Construction Co., Ltd. (湖州新城公用工程有限公司) with an initial registered capital of RMB4.8 million.
2014	In December 2014, Zhejiang Huantaihu successfully issued onshore private notes in the principal amount of RMB300 million.
2017	In March 2017, China Rural Development Construction Funds Co., Ltd. (中國農發重點建設基金有限公司) increased the registered capital of Zhejiang Huantaihu from RMB800 million to RMB1.01 billion. After the increase, Huzhou SASAC owned 79.2 per cent. equity interest of Zhejiang Huantaihu. In March 2017, China Rural Development Construction Funds Co., Ltd. increased the registered capital of Huzhou Xisaishan from RMB500.0 million to RMB540.0 million. After the increase, Huzhou SASAC owns 92.6 per cent. equity interest of Huzhou Xisaishan.
2018	In June 2018, Huzhou SASAC increased the registered capital of Zhejiang Huantaihu from RMB1,010 million to RMB2,000 million. After the increase, Huzhou SASAC owned 89.5 per cent. equity interest of Zhejiang Huantaihu. In June 2018, Huzhou SASAC increased the registered capital of Huzhou Xisaishan from RMB540 million to RMB1,500 million. After the increase, Huzhou SASAC owned 97.3 per cent. equity interest of Huzhou Xisaishan.

In November 2018, Huzhou SASAC transferred 97.3 per cent. of equity interest of Huzhou Xisaishan to the Company at nil consideration. After the transfer, the Company owns 97.3 per cent. equity interest of the Huzhou Xisaishan.

In November 2018, Huzhou SASAC transferred 89.5 per cent. of equity interest of Zhejiang Huantaihu to the Company at nil consideration. After the transfer, the Company owns 89.5 per cent. equity interest of the Zhejiang Huantaihu.

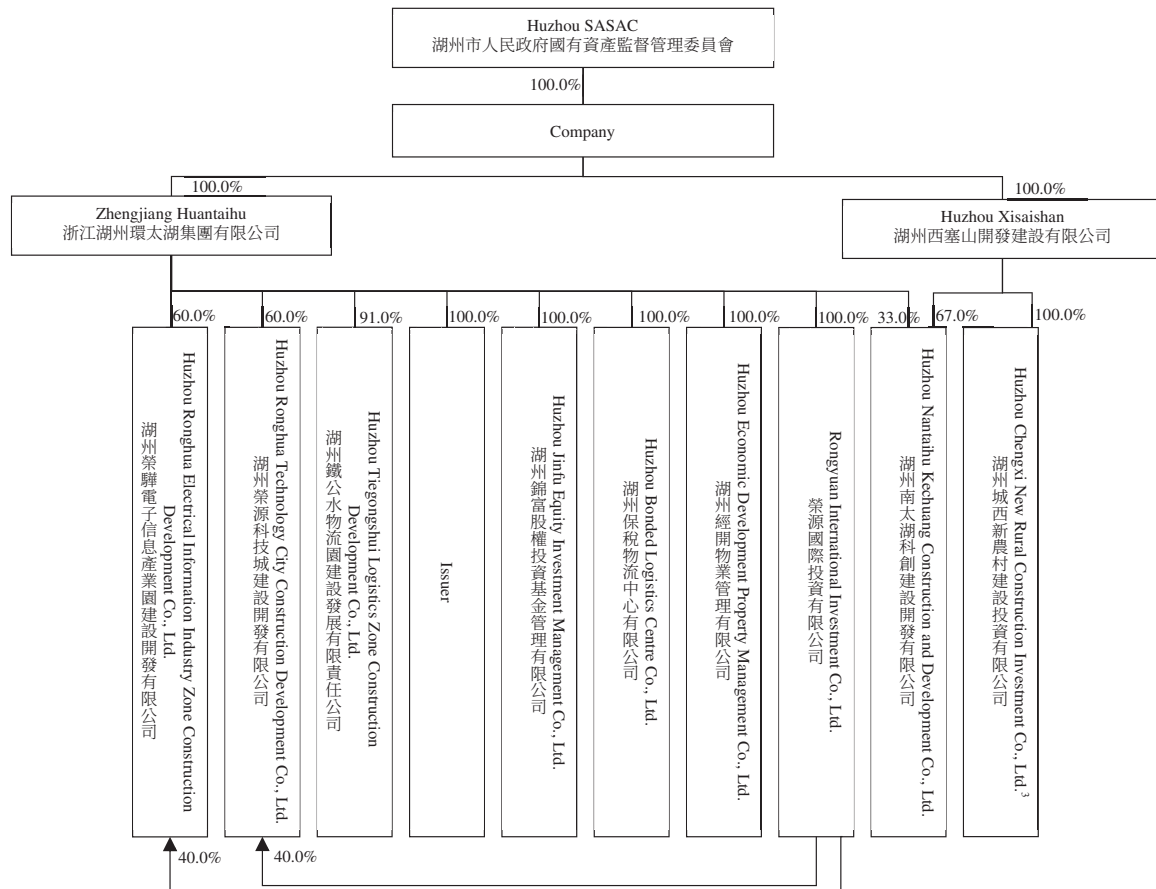
2019 In March 2019, Innovation Road Cross Changhu Shenxian Bridge Construction Project (創業大道跨長湖申線大橋工程) and Yinjia Village Habitable Community Outdoor General Upgrade Construction Project (尹家村安居社區室外總布工程), which were constructed by the Group, were awarded Huzhou Feiying Cup Municipal Construction Quality Award (2019年度湖州市飛英杯市政工程品質獎), respectively. In April 2019, Nantaihu BiotechPharmaceutical Industrial Zone General Service Centre No. 3 Building (南太湖生物醫藥產業園綜合服務中心工程3樓), which was constructed by the Group, was awarded Huzhou Feiying Cup, Municipal Construction Quality Award (2019年度湖州市飛英杯市政工程品質獎). In September 2019, Xisai Sub-District North Ring Road, Yangxi Road Greening View Promotion Construction Project (西塞分區環北路、漾西路綠化景觀提升工程), which was constructed by the Group, was awarded Zhejiang Province Excellent Garden Construction Bronze Award (浙江省優秀園林工程銅獎).

2020 In February 2020, Huzhou SASAC increased the registered capital of the Company to RMB2 billion.

In March 2020, the Issuer issued U.S.\$200,000,000 4.50 per cent. guaranteed bonds due 2023 unconditionally and irrevocably guaranteed by the Guarantor.

Corporate Structure

The followings chart presents a simplified corporate structure of the Group and the shareholding of the Company as at 30 June 2022:



Notes:

- (1) The remaining 10.5 per cent. Equity interests in Zhejiang Huantaihu is held by China Agricultural Development Key Construction Funds Co., Ltd. (中國農發重點建設基金有限公司).
- (2) The remaining 2.7 per cent. Equity interests in Huzhou Xisaishan is held by China Agricultural Development Key Construction Funds Co., Ltd. (中國農發重點建設基金有限公司).
- (3) In December 2018, Huzhou Xisaishan has pledged 100 per cent. Equity interests in Huzhou Chengxi New Rural Construction Investment Co., Ltd. to Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限公司) to secure onshore financing arrangements. As at the date of this Offering Circular, such pledge has not been discharged.

DESCRIPTION OF THE GROUP'S BUSINESSES

Overview

The Group is the largest state-owned primary land developer and infrastructure construction service provider in Nantaihu New District in terms of total assets as at 30 June 2022. The Group develops, manages and operates land resources, infrastructure, public utilities and a number of other state-owned assets with an aim of maximising their value to promote urbanisation and economic development in the Nantaihu New District Management Committee.

The Group principally engages in (i) primary land development, (ii) infrastructure construction contracting, (iii) commodity trading, and (iv) ancillary businesses. The following table sets out a breakdown of the total revenue by business segment and as a percentage of the total revenue for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(RMB'000)	of total	(RMB'000)	of total	(RMB'000)	of total	(RMB'000)	of total	(RMB'000)	of total
	<i>(Audited)</i>						<i>(Unaudited but reviewed)</i>			
Primary land development ⁽¹⁾	510,321.5	19.2	629,130.0	20.3	501,261.9	20.7	–	–	–	–
Infrastructure construction contracting ⁽²⁾	2,117,685.3	79.6	1,016,726.0	32.9	954,511.3	39.4	511,142.6	38.3	603,423.5	63.1
Commodity Trading	–	–	1,369,549.1	44.3	841,729.7	34.8	765,466.5	57.4	261,519.2	27.4
Ancillary businesses ⁽³⁾	33,212.8	1.2	76,457.6	2.5	122,800.2	5.1	57,545.1	4.3	90,788.8	9.5
Total	2,661,219.6	100.0	3,091,862.6	100.0	2,420,303.0	100.0	1,334,154.2	100.0	955,731.5	100.0

Notes:

- (1) Revenue from this business comprises revenue from “Land Consolidation and Development Income” reported in the Group’s Financial Statements of the respective period.
- (2) Revenue from this business comprises revenue from “Entrusted Construction Projects” reported in the Group’s Financial Statements of the respective period.
- (3) Revenue from this business comprises revenue from “Real Estate Sales”, “Asset Rental”, “Property Management Income”, “Hotel Operation”, “Canteen Catering Income” and “Others” reported in the Group’s Financial Statements of the respective period.

The following table sets out a breakdown of the gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
	(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)		(RMB'000)	
	<i>(Audited)</i>						<i>(Unaudited but reviewed)</i>			
Primary land development	76,952.9	15.1	104,855.0	16.7	83,543.6	16.7	–	–	–	–
Infrastructure construction contracting	224,695.4	10.6	137,930.5	13.6	128,838.0	13.5	68,115.4	13.3	82,857.9	13.7
Commodity Trading	–	–	1,046.5	0.1	804.1	0.1	748.6	0.1	3,771.8	1.4
Ancillary businesses	(8,421.1)	(25.4)	9,777.5	12.8	32,146.1	26.2	17,555.1	30.5	33,832.6	37.3
Overall	293,227.3	11.0	253,609.5	8.2	245,331.8	10.1	86,419.1	6.5	120,462.3	12.6

Primary Land Development

Overview

The Group is an established primary land developer in Nantaihu New District. As at 30 June 2022, the Group had undertaken 103 primary land development projects with total investment amount of over RMB25,677.0 million and completed approximately 91.22 square kilometres. As at 30 June 2022, Nantaihu New District had a total developable bare land of approximately 225 square kilometres. As at 30 June 2022, approximately 19.93 square metres of primary land is currently under development by the

Group. The Company believes that due to the scarcity of land and the value-added services that it provides, the land it develops has significant potential for value appreciation. Further, it believes that its business will benefit from the increased rate of urbanisation in Huzhou and China generally and the demand for more new towns to meet the housing needs of a growing urban population.

For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue generated from the Group's primary land development business was RMB510.3 million, RMB629.1 million, RMB501.3 million, nil and nil, respectively, representing 19.2 per cent., 20.3 per cent., 20.7 per cent., nil and nil of the Group's total revenue for the respective periods.

Business Model

The Group was designated by Huzhou ETDZ Management Committee and Huzhou Municipal Bureau of Land and Resource, Huzhou ETDZ branch ("**Huzhou Land Bureau**") (湖州市國土資源局浙江省湖州經濟技術開發區分局) to develop land. Huzhou Xisaishan and Zhejiang Huantaihu entered into cooperative land development agreements with Huzhou Land Bureau and the Huzhou ETDZ Management Committee, respectively to develop land within Huzhou ETDZ. Such agreement sets out the scope of work, allocation of responsibilities, financing arrangement, consideration and payment and other key aspects of relevant projects. The Group engages in a wide range of development and construction activities that transform bare land into land ready for secondary real property development, involving land clearance, construction of electricity networks, water, telecommunication, gas and roads. The Group usually carries out land development of sub-regions within Huzhou ETDZ. Upon completion of primary land development of a certain sub-region, Huzhou Land Bureau or other government authority would host bidding process to sell the land use right and transfer the proceeds to the Group to finance the subsequent primary land development. The proceeds of transferred land use rights will be used to fund the next phase of development. For each sub-region, Huzhou Land Bureau, the Huzhou ETDZ Management Committee and the Group agree on the cost paid by each party. After all phases have been completed, the Group will receive 10 per cent. of the net proceeds (being the total proceeds minus cost, taxes and other charges of the project) for projects launched by Huzhou SASAC or Huzhou ETDZ Management Committee or approved by Huzhou ETDZ Management Committee from 10 December 2011 to 1 December 2017 or 20 per cent. of the net proceeds for those projects launched from 1 December 2017 and onward, as the Group's fees.

Subcontractors and Suppliers

The Group is generally engaged as the project owner, responsible for managing and monitoring key work streams of project development, such as construction, foundation engineering, decoration and fire protection engineering. It typically engages a general contractor to carry out construction. The general contractor is chosen by a bidding process. General contractors usually can engage sub-contractors.

The materials used in primary land development mainly include construction soil and gravel. The general contractor is generally responsible for selecting the suppliers.

Infrastructure Construction Contracting

The Group's infrastructure construction contracting business mainly involves affordable housing construction and infrastructure construction and development. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue generated from the Group's infrastructure construction contracting business was RMB2,117.7 million, RMB1,016.7 million, RMB954.5 million, RMB511.1 million and RMB603.4 million, respectively, representing 79.6 per cent., 32.9 per cent., 39.4 per cent., 38.3 per cent. and 63.1 per cent. of the Group's total revenue for the respective periods.

Affordable Housing Construction

Overview

The Group was designated by the Huzhou ETDZ Management Committee and Nantaihu New District to implement the PRC Government's housing policies and improve the housing conditions of low-income households in Huzhou.

Business Model

Affordable housing projects commissioned by the Huzhou ETDZ Management Committee are generally governed by the individual purchase agreements (the “**Affordable Housing Purchase Agreement**”) entered into between the Huzhou ETDZ Management Committee and the Group. The Affordable Housing Purchase Agreement sets out the main construction works and relevant predevelopment works. The Group typically hosts bidding process to choose third party contractor to construct the affordable housing properties. The Engineering Department of the Group and the external supervision companies engaged by the Group are responsible for quality supervision and control of relevant affordable housing properties. The Engineering Department of the Group is responsible for making relevant payments to the contractor according to the construction progress and quality. The contractors usually provide a certain amount of quality warranties to the Group. In case the construction fails to satisfy requirements on quality, such warranties would be deducted accordingly. Huzhou ETDZ Management Committee purchases the affordable housing in accordance with the purchase price and payment schedule in the relevant Affordable Housing Purchase Agreement.

The Group generally does not own the land use rights of the land for the development of affordable housing. The Group is typically responsible for the financing of the affordable housing projects, which is sourced from both internal and external funds such as by way of loans and issuance of notes.

Project Description

Completed Projects

As at 30 June 2022, the Group has completed eight affordable housing construction projects having a total gross floor area of 1,042.9 thousand square metres and total investment of approximately RMB4,368.2 million.

The following table sets forth the particulars of the affordable housing projects in terms of gross floor area that the Group had completed as at 30 June 2022:

No.	Project	Time of Completion	Gross Floor Area	Total Amount Invested	Total Amount Receivable	Amount Received as at 30 June 2022
			(Square metres)	(RMB in million)	(RMB in million)	(RMB in million)
1.	Jinhurenjia Project (Southwest Sub-District No. 39 Parcel) (金湖人家工程(西南分區39號地塊))	2011	163,323.0	701.0	772.1	772.1
2.	Xisaishan Renjia Affordable Housing Project (西塞人家保障房)	2014	131,930.0	370.0	414.3	3.1
3.	Jinshan New Village Project (基山新村工程)	2016	12,351.0	34.2	41.1	41.1
4.	Qiliting Settlement Community Construction Project (七里亭安居社區工程)	2020	229,460.0	1,003.0	1,200.0	–
5.	Huangzhi Mountain Settlement Construction Project (黃芝山安居工程)	2020	216,086.0	1,208.0	1,450.0	–
6.	Yinjia Village Resettlement Community Construction Project (尹家村安居社區工程)	2019	154,940.0	625.0	750.0	–
7.	Qinghe Jiayuan Affordable Housing Community Phase II Construction Project (清河嘉園保障性安居社區二期工程)	2020	115,760.0	331.0	397.0	–
8.	Huangjia Zhuang Resettlement Construction Project (黃家莊 安居工程)	2020	19,000	96.0	115.0	–
	Total		1,042,850	4,368.2	5,139.5	816.3

Projects under Construction

As at 30 June 2022, two affordable housing construction projects of the Group having a total gross floor area of approximately 646.9 thousand square metres are under construction. The total actual amount invested in these projects were approximately RMB3,074.0 million and approximately RMB583.0 million had been received as payment for these projects as at 30 June 2022. The following table sets forth the particulars of the affordable housing projects in terms of expected gross floor area as at 30 June 2022:

No.	Project	Time of Commencement of construction	Expected Time of Completion	Expected Gross Floor Area	Total Actual Amount Invested	Total Amount Receivable	Amount Received as at 30 June 2022
				(Square metres)	(RMB in million)	(RMB in million)	(RMB in million)
1.	Wangjia Yang Housing Phase Two (王家漾佳苑二期)	2020	2025	398,084.0	1,339.0	2,607.8	–
2.	Maochai Garden Estate Project (茅柴園小區工程)	2016	2023	248,800.0	1,735.0	2,203.5	583.0
			Total	646,884.0	3,074.0	4,811.3	583.0

Project held for Development

As at 30 June 2022, there was no project held by the Group for future development.

Infrastructure Construction

Overview

The Group is a key force in undertaking the development and maintenance of public infrastructure and facilities in Nantaihu New District and Huzhou ETDZ, including municipal roads, bridges, landscape engineering, piping networks and water supply. As at 30 June 2022, the Group had completed more than 85 infrastructure construction projects with a total investment amount of approximately RMB20.3 billion. Below sets out certain infrastructure construction projects that exemplifies the Group's technical ability in large scale investment projects:

- 104 National Highway Huzhou Yangjiabu to Lushan Renovation Project (104國道湖州楊家埠至鹿山段改建工程) (“Yangjiabu-Lushan Renovation”)

Starting from the 104 National Highway near Yangjiabu Town and ending at the 104 National Highway after crossing Shenjia Lake Highway (申嘉湖高速), Yangjiabu Lushan Renovation commenced in December 2011 and completed in September 2017, with total investment amount of approximately RMB1,491.0 million. It includes three large bridges and two interchanges. The total length of the renovation is approximately 10.1 kilometres. Starting from 2017, Huzhou ETDZ Management Committee purchases the project with seven payments in instalment.

- Southwest District Main Road Connection Project (西南分區連接主城幹路工程) (“SDMR Connection”)

SDMR Connection comprises three section-projects: Second Ring South Road, Hongfeng Xi Road and Gangnan Road. The length of the three section projects are 2.6 kilometres, 1.6 kilometres and 2.5 kilometres, respectively. The construction commenced in September 2016 and completed in October 2017, with total investment amount of approximately RMB382.0 million. Starting from 2017, Huzhou ETDZ Management Committee will purchase the project with eight payments in instalment.

- Southwest District Jiashan Road Series Project (西南分區夾山路等工程) (“Jiashan Road Series Project”)

Jiashan Road Series Project includes construction of five city roads with total length of 4.4 kilometres and four bridges. The total investment of the project is RMB221.0 million. Starting from 2017, Huzhou ETDZ Management Committee purchases the project with eight payments in instalment.

- Southwest District No. 2 New District Road Project (西南分區新區二路工程) (“No. 2 New District Road”)

No. 2 New District Road includes construction of road with total length of 2.3 kilometres and two bridges. The total land covered under this project is 8.2 hectare with total investment amount of RMB104.0 million.

- Xisaishan View Improvement Project (西塞山路道路景觀整治工程)

The main tasks of Xisaishan View Improvement Project include road surface improvement, underground wires and tunnel inspection, lighting improvement, greening. The total length of the project is 4.5 kilometres with total investment amount of approximately RMB165.0 million. The project completed in November 2018. Huzhou ETDZ Management Committee will purchase the project with seven payments in instalment.

- Huzhou Logistics Centre Headquarters (湖州物流中心基地)

Huzhou Logistics Centre Headquarters will serve as a logistics hub that coordinates the transportation of goods in Nantaihu New District and Huzhou. The project commenced in 2018 and the Group has invested in aggregate RMB247.0 million as at 30 June 2022.

Business Model

When undertaking construction of infrastructure projects, the Group acts as a project owner and is responsible for its overall management and execution, which draws upon the Group’s technical expertise on civil, structural, procedural, mechanical, geotechnical systems and electrical engineering, architecture, landscape and interior design, urban and regional planning, project economics, environmental health and work safety. In general, the Group is engaged by local government as an outsourcer of the project.

The Group generally relies on third-party construction companies to develop infrastructure projects, which are selected through a tender process. The Group generally provides the tender terms to potential bidders in advance. When selecting contractors, factors which are taken into account include the contractors’ reputations, track record in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. These construction companies carry out various types of work, including foundation digging, construction, equipment installation, internal decoration and various engineering works. The quality and timeline of the construction are usually set out in the contracts with construction companies. In the event of delay or sub-standard quality, the Group may require the construction contractor to rectify the defects or pay a penalty.

The Group is typically responsible for the financing of the infrastructure construction projects, which is sourced from both internal and external funds. The Group and the local government will also enter into a project purchase agreement, pursuant to which the local government will purchase the completed project in part annually, subject to certain conditions.

Commodity Trading

Overview

Leveraging its strong regional presence and various procurement channels, the Group started its commodity trading business in 2020. For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributable to this business segment accounted for 44.3 per cent., 34.8 per cent., 57.4 per cent. and 27.4 per cent. of the total revenue of the Group, respectively. The Group carries out its commodity trading business mainly through its subsidiaries, Huzhou Ruizhong Trading Co., Ltd. (湖州睿眾貿易有限公司) and Huzhou Ruijing Trading Co., Ltd. (湖州睿璟貿易有限公司), which are primarily engaged in the commodity trading of agricultural and chemical products.

Business Model

The Group generates revenue from sale of commodities procured from its suppliers to downstream customers by acting as an intermediary between its suppliers and customers. It mainly assists its customers in sourcing and selecting suitable supplier which typically include both state-owned and private enterprises to secure a steady flow of goods. The Group enters into the procurement contract with its suppliers and the sales contract with its customers simultaneously to lock the price and protect itself from price fluctuations. The Group profits from the difference between the procurement cost from its suppliers and the selling price to its customers.

In addition, through cooperation with banks, the Group also seeks to develop business with customers with strong credit profile to further expand its commodity trading business and improve its profit margin while minimising counterparty risks.

Ancillary Businesses

The Group has been expanding its business portfolios to diversify its sources of revenue. In addition to primary land development, infrastructure construction contracting and commodity trading business, the Group also engages in ancillary businesses, including housing sales, assets leasing and property management and other business. The Group adopts an integrated business model to create synergies among various assets and maximise the return on investment. Many of its ancillary businesses are related to infrastructure construction, affordable housing construction and primary land development. The following table sets forth a breakdown of the revenue from the Group's ancillary businesses by sub-segments in absolute amounts and as a percentage of revenue from the Group's ancillary businesses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB	Per cent.	RMB	Per cent.	RMB	Per cent.	RMB	Per cent.	RMB	Per cent.
	('000)	of total	('000)	of total	('000)	of total	('000)	of total	('000)	of total
Housing Sales ⁽¹⁾	1,084.3	3.3	15,327.7	20.0	4,153.7	3.4	–	–	52.9	0.1
Assets Leasing and Property Management ⁽²⁾	31,564.3	95.0	57,537.1	75.3	98,947.7	80.6	45,057.7	78.3	73,589.1	81.1
Other Business ⁽³⁾	564.2	1.7	3,592.8	4.7	19,698.9	16.0	12,487.4	21.7	17,146.7	18.9
Total	33,212.8	100.0	76,457.6	100.0	122,800.2	100.0	57,545.1	100.0	90,788.8	100.0

Notes:

- (1) Revenue from this business comprises revenue from “Real Estate Sales” reported in the Group's Financial Statements of the respective period.
- (2) Revenue from this business comprises revenue from “Asset Rental Revenue” and “Property Management” reported in the Group's Financial Statements of the respective period.
- (3) Revenue from this business comprises revenue from “Hotel Operation”, “Canteen Catering Income”, “Energy Consumption Income” and “Others” reported in the Group's Financial Statements of the respective period.

Housing Sales

The Group sells commercial houses by engaging external sales team. The housing sold is affordable housing not purchased by the government. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributed to the Group's housing sales business was RMB1.1 million, RMB15.3 million, RMB4.2 million, nil and RMB0.1 million, respectively, representing 3.3 per cent., 20.0 per cent., 3.4 per cent., nil and 0.1 per cent. of the revenue of ancillary business, respectively.

Assets Leasing and Property Management

The Group develops factories and leases them to companies. As at 30 June 2022, the Group owns seven standard factories with a total area of 156.5 thousand square metres. Since it takes some time to build new factories after enterprises enter the Nantaihu New District, the Group has been leasing the factories to enterprises at a discounted price to enable the commencement of their businesses. The enterprises move out after the construction of their factories has been completed. The Group has also leased offices and buildings to companies. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, revenue attributed to the Group's assets leasing and property management was RMB31.6 million, RMB57.5 million, RMB98.9 million, RMB45.1 million and RMB73.6 million, respectively, representing 95.0 per cent., 75.3 per cent., 80.6 per cent., 78.3 per cent. and 81.1 per cent. of the revenue of ancillary business, respectively.

The Group expects to provide property management service to resettlement housing areas, more office building, government properties, commercial properties and parking lots located in Nantaihu New District in future. These services include security service, property and public area maintenance service and cleaning service.

INTELLECTUAL PROPERTY

As at 30 June 2022, the Group does not own any patents or trademarks.

As at the date of this Offering Circular, the Group was not aware of any infringement by the Group of any intellectual property rights owned by third parties. Further, as at the date of this Offering Circular, the Group was not involved in any litigation or legal proceedings in relation to any material claims of infringement, of any intellectual property rights initiated by or against the Group that had a material and adverse effect on the Group's business.

ENVIRONMENTAL MATTERS

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

HEALTH AND SAFETY

The Group imposes safety measures at all stages of its operational process to minimise the possibility of work-related accidents, injuries and occupational illness. The Group also monitors the safety aspects of its contractors' operations. In addition, the Group provides safety trainings to its employees and has established safety standards for its contractors. The Group believes that its safety control systems are adequate to comply with applicable national and local regulations. As at the date of this Offering Circular, the Group is not aware of any claims or penalties associated with any material breach of or noncompliance with any safety laws and regulations.

INSURANCE

With regard to its infrastructure construction contracting business, the Group generally purchases insurance for certain of its property, plant and equipment. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group has also purchased public liability insurance. The Group does not purchase contractors' all-risk and third-party liability insurance for most of the projects it undertakes. The Group maintains insurance coverage in amounts that it believes commensurate with its risk of loss and industry practice in the PRC. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost that the Group believes is not economically viable.

EMPLOYEES

As at 30 June 2022, the Group had 145 employees.

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

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors – Risks Relating to the Group's Business – The Group is exposed to litigation risks*". To the best of the Group's knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors of the Company (the “**Board of Directors**”) consists of the chairman, the vice-chairman and five directors. Directors are appointed by Huzhou SASAC with a term of three years. The Board of Directors is primarily responsible to Huzhou SASAC and has the following responsibility: making annual business plans, investment plans, financial budget plans, profit distribution plans, making plans in relation to merger, division, decorporation, increase and decrease of capital, issuance of corporate bonds or change of corporate form, decision-making on corporate governance, appointment of senior management and deciding on their enumerations and amendment of articles of association of the Company. However, any merger, division, decorporation, increase and decrease of capital, issuance of corporate bonds, and change of corporate form must be approved by Huzhou SASAC.

The table below sets forth information regarding the Board as at the date of this Offering Circular:

Name	Age	Title
Mr. Shen Yuyu (沈玉瑜)	44	Chairman and legal representative
Mr. Xia Jisheng (夏吉勝)	50	Vice-chairman and general manager
Mr. Sheng Jun (盛軍)	47	Director, deputy general manager and chief financial officer
Mr. Wang Bingrong (王炳榮)	39	Director and deputy general manager
Mr. He Fajun (何法君)	45	Director and deputy general manager
Mr. Nie Ge (聶軻)	52	Director and deputy general manager
Mr. Zhu Qiang (朱強)	37	Employee representative director and deputy general manager

Mr. Shen Yuyu (沈玉瑜) joined the Group in July 2019 and has been the Chairman of the Board of Directors and the legal representative of the Company since February 2020. He graduated from Jiangnan University Online Education School (江南大學網絡教育學院) with a bachelor’s degree. Mr. Shen joined the Company in July 2019 and was the vice chairman and deputy general manager of the Company from July 2019 to February 2020. Prior to joining the Group, Mr. Shen served as office staff, deputy secretary of the Youth League Committee and staff of People’s Congress of Huzhou Longxi Sub-District (湖州市龍溪鄉) from September 1996 to September 1999. He was the secretary of the Youth League Committee (共青團委) and the director of cultural station of Huzhou Longxi Sub-District from September 1999 to July 2001. He was the secretary of the Youth League Committee and the director of cultural station of Yangjiabu Sub-District (湖州市楊家埠鎮) from July 2001 to November 2001. He was a member of the China Communist Party Committee of Yangjiabu Sub-District (楊家埠鎮黨委) from November 2001 to August 2006. He was the deputy director and director of Social Development Bureau of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會社發局) from August 2006 to September 2009. He was the director of the Construction Bureau of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會建設局) from September 2009 to September 2011. He was the deputy secretary of the party committee and the director of the office of Huzhou Kangshan Sub-District Office (湖州市康山街道) from September 2011 to December 2012 and the secretary of the China Communist Party Committee of Huzhou Kangshan Sub-District Office from December 2012 to August 2015. He served as the secretary of the China Communist Party Committee of Huzhou Longxi Sub-District Office (湖州市龍溪街道) from August 2015 to September 2017. He was the deputy director and second-class principal staff member of Huzhou ETDZ Office (湖州經濟技術開發區高新區工作處) from September 2017 to July 2019. Mr. Shen also served as the general manager of the Company.

Mr. Xia Jisheng (夏吉勝) has been the vice-chairman of the Board of Directors since August 2021 and the general manager of the Company since April 2021. Mr. Xia previously served in various capacities including as a middle school teacher in Huzhou Wuxing Experimental Middle School (湖州市吳興實驗中學), a deputy chief and a Party Committee member of Yangjiabu Township People’s Government (楊家埠鎮人民政府), a deputy secretary of the Party Committee and the chief of Kangshan Street Office (康山街道辦事處), the office head of Huzhou Development Zone Management Committee (湖州開發區

管委會), the deputy director of the public utility department (公用處) and the director of High-tech Industry Service Centre (高新技術產業服務中心), the director of Fenghuang Street People's Congress Working Committee (鳳凰街道人大工委) and a deputy director of South Taihu Science and Technology Innovation Centre (南太湖科創中心).

Mr. Sheng Jun (盛軍) joined in the Group from December 2009 to August 2015 and has been a director, a deputy general manager and the chief financial officer of the Company since December 2019. He graduated from Zhejiang Broadcast Television University (浙江廣播電視大學) with a bachelor's degree. He is also a senior engineer. Prior to joining the Group, Mr. Sheng served as an officer in Urban Construction Inspection Team of Huzhou ETDZ (湖州經濟技術開發區城建監察大隊) from July 1995 to December 1995. He served as an accountant in Huzhou Economic Construction and Development Corporation (湖州經濟建設開發總公司) from December 1995 to October 1999. He served as an officer at the Office of Huzhou ETDZ Committee (湖州經濟技術開發區管理委員會辦公室) from October 1999 to December 2000. He served as the director of the Commercial Office at Huzhou ETDZ Shanghai and Dongguan Investment Promotion Office (湖州經濟技術開發區駐上海及東莞招商辦事處) from December 2000 to October 2002. He served as director of the Information Centre at the Office of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會辦公室) from October 2002 to December 2009. He was the chairman of the board of Zhejiang Huantaihu from December 2009 to August 2015. He was the deputy director of the bureau of finance of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會財政局) from August 2015 to August 2019.

Mr. Wang Bingrong (王炳榮) joined the Group in April 2015 and has been a director of the Company and a deputy general manager of the Company since December 2019. Mr. Wang graduated from Southwest University of Science and Technology (西南科技大學) with a bachelor's degree specialised in Civil Engineering. He has been Prior to joining the Group, Mr. Wang served as a project supervisor of Zhejiang Southeast Supervision Co., Ltd (浙江東南監理有限公司) from July 2001 to September 2005. He was the project construction manager of the Construction Bureau of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會建設局) from October 2005 to November 2013. He was the deputy general manager of Zhejiang Huantaihu from April 2015 to October 2019, and the deputy director of 104 National Highway and Kangshan Road Construction Headquarter from December 2013 to February 2014.

Mr. He Fajun (何法君) joined in the Group from June 2015 to May 2018 and has been a director and the deputy general manager of the Company since December 2019. He graduated from Southern Institute of Metallurgy (南方冶金學院) with a bachelor's degree specialised in Construction Cost Management (工程造價管理). He is also a senior engineer. Prior to joining the Group, Mr. He was the deputy director of Huzhou Construction Cost Management Station (湖州市建設工程造價管理站) from August 1999 to June 2015. He was the deputy general manager of Zhejiang Huantaihu from June 2015 to May 2018. He was the deputy director of the Construction Bureau of Huzhou ETDZ Management Committee (湖州經濟技術開發區管理委員會建設局) from May 2018 to August 2019.

Mr. Nie Ge (聶舸) has been a director of the Company since August 2021 and a deputy general manager of the Company since April 2021. Prior to joining the Company, Mr. Nie was deputy leader of Huzhou Economic and Technological Development Zone Longxi Sub-District Construction Command (龍溪分區建設指揮部) and Kangsan Sub-District Command (康山分區指揮部).

Mr. Zhu Qiang (朱強) has been an employee representative director and a deputy general manager of the Company since April 2021. Mr. Zhu currently also serves a deputy manager of the General Office of the Company. He previously served as an analyst of Huzhou Bote Biotechnology Co., Ltd. (湖州柏特生物科技有限公司), the director of the general office and a deputy director of Huzhou Environmental Science and Technology Innovation Centre (湖州環境科技創新中心), a deputy general manager and the director of the general office of Mei Biotechnology Co., Ltd. (美生物科技有限公司).

SUPERVISORS

The board of supervisors of the Company (the “**Board of Supervisors**”) consists of five members. The Board of Supervisors is primarily responsible for the inspection of the Company’s financials, supervising directors and management and their actions in their official capacities, proposing to remove directors and management where appropriate, ratify actions that harm corporate interests or other duties imposed by Huzhou SASAC.

The table below sets forth information regarding the Board of Supervisors as at the date of this Offering Circular:

Name	Age	Title
Mr. Hu Changhui (胡長輝) . . .	42	Chairman of the Board of Supervisors
Mr. Yao Xinfang (姚新芳)	56	Vice-chairman of the Board of Supervisors
Mr. Wang Weixian (王帷先) . .	29	Supervisor
Mr. Ding Yuntao (丁雲濤)	31	Employee representative supervisor
Ms. Zhang Hui (張慧)	30	Employee representative supervisor

Mr. Hu Changhui (胡長輝) has been the chairman of the Board of Supervisors since April 2021. Prior to joining the Company, Mr. Hu was a teacher at Huzhou Communication School (湖州交通學校), a deputy director and the chief of Housing Management Section of Public Centre of Taihu Tourism Resort Construction Bureau (太湖旅遊度假區建設局公用中心), a deputy director of South Taihu New District Public Centre (南太湖新區公用中心) and New District Municipal Construction Centre (新區城建中心). Mr. Hu holds a bachelor’s degree.

Mr. Yao Xinfang (姚新芳) joined the Group in July 2011 and has been the vice-chairman of the Board of Supervisors since November 2021. Mr. Yao has also served as a manager of the Construction Department of Zhejiang Huantaihu since July 2011. Mr. Yao graduated from China University of Petroleum (中國石油大學) with a bachelor’s degree majored in Civil Engineering. He is also a senior engineer. Mr. Yao has served as deputy manager in Huzhou Shuanglin Bridge Construction Co. Ltd (湖州市雙林橋樑工程有限公司) from September 1986 to February 2002. He was a technology staff in Anji Transportation Construction Engineering Co. Ltd. (安吉縣交通建設工程有限公司) from February 2002 to July 2008. He was an engineer in Anji Huarui Real Estate Co. Ltd. (安吉華瑞置業有限公司) from July 2008 to June 2010. He was an engineer in Huayu Construction Group Co. Ltd. (華煜建設集團有限公司) from July 2010 to June 2011. Mr. Yao was previously the chairman of the Board of Supervisor of the Company.

Mr. Wang Weixian (王帷先) has been a supervisor of the Company since November 2021. He is currently also employed as a staff member in the General Office of the Company. He was previously a safety inspector in Nanjing Huamin Cement Products Co., Ltd. (南靖華民水泥製品有限公司). Mr. Wang holds a master’s degree.

Mr. Ding Yuntao (丁雲濤) has been an employee representative supervisor of the Company since November 2021. He is currently also employed as an accountant of the Company. Prior to joining the Company, Mr. Wang was a staff member of the finance section in China Metallurgical Construction Group Co., Ltd. (中冶建工集團有限公司) and an accountant in Weihong Power Systems (Huzhou) Co., Ltd. (微宏動力系統(湖州)有限公司). Mr. Ding holds a bachelor’s degree.

Ms. Zhang Hui (張慧) has been an employee representative supervisor of the Company since November 2021. She is currently also employed as a staff member in the Strategic Investment Department of the Company. Prior to joining the Company, Ms. Zhang was a staff member in the internal affairs office of Binhu Police Station of Huzhou City Public Security Bureau’s South Taihu

Branch, a staff member in Huzhou Central Branch of Agricultural Bank Life Insurance Co., Ltd. (農銀人壽保險股份有限公司) and a staff member in Huzhou Branch and Changxing Township Branch of China Post Group Co., Ltd. (中國郵政集團有限公司).

SENIOR MANAGEMENT

The table below sets forth information regarding the Guarantor's senior management team as at the date of this Offering Circular:

Name	Age	Title
Mr. Xia Jisheng (夏吉勝)	50	Vice-chairman of the Board of Directors and general manager
Mr. Sheng Jun (盛軍)	47	Director, deputy general manager and chief financial officer
Mr. Wang Bingrong (王炳榮) . .	39	Director and deputy general manager
Mr. He Fajun (何法君)	45	Director and deputy general manager
Mr. Nie Ge (聶軻)	52	Director and deputy general manager
Mr. Zhu Qiang (朱強)	37	Employee representative director and deputy general manager
Mr. Xu Weiping (徐偉平)	45	Deputy general manager

Mr. Xia Jisheng (夏吉勝) has served as a general manager of the Company since April 2021. For Mr. Xia's biography, see “– *Directors*” above.

Mr. Sheng Jun (盛軍) has served as a deputy general manager and chief financial officer of the Company since February 2020. For Mr. Sheng's biography, see “– *Directors*” above.

Mr. Wang Bingrong (王炳榮) has served as a deputy general manager of the Company since February 2020. For Mr. Wang's biography, see “– *Directors*” above.

Mr. He Fajun (何法君) has served as a deputy general manager of the Company since February 2020. For Mr. He's biography, see “– *Directors*” above.

Mr. Nie Ge (聶軻) has served as a deputy general manager of the Company since April 2021. For Mr. Nie's biography, see “– *Directors*” above.

Mr. Zhu Qiang (朱強) has served as a deputy general manager of the Company since April 2021. For Mr. Zhu's biography, see “– *Directors*” above.

Mr. Xu Weiping (徐偉平) has served as a deputy general manager of the Company since July 2021. Prior to joining the Company, Mr. Xu was employed in various capacities including as a project engineer in Zhejiang Geological and Mineral General Contracting Co., Ltd. (浙江省地質礦產總承包有限公司), a chief assistant of relocation office and chief of Huzhou ETDZ Survey and Mapping Institute (湖州經濟技術開發區測繪所), a deputy director of relocation office in Huzhou ETDZ and a deputy chief commander of Huzhou ETDZ Huangzhi Xituo District Construction Command (黃芝山西拓區塊建設指揮部). Mr. Xu holds a bachelor's degree.

CORPORATE GOVERNANCE

The Group has established and implemented an effective corporate governance structure. The Company has set up nine departments (namely the General Office, Engineering Department, Strategic Investment Department, Audit Department, Finance Department, Financing Department, Chief Engineer's Office, Discipline and Supervision Department and Party and Human Resources Department). The primary duties of the Company's departments are set forth as follows:

- The General Office (綜合部) is primarily responsible for daily work, coordination among different departments, collect and research on the Group's data, employee evaluation and management, archive management, secretarial matter and public relation matters.

- The Engineering Department (工程部) is primarily responsible for the preparation, construction, management, supervision, completion review, annual review, construction licence management, data analysis and reporting, project compliance matters, quality control, safety and inspection.
- The Strategic Investment Department (戰略投資部) is primarily responsible for the study of the Group's development strategies, setting up investment plans, project investigation and risk assessment, capital operation, merger, acquisition and reorganisation, assets swap, and industrial integration.
- The Audit Department (審計部) is primarily responsible for the audit work related to project tender and bidding and fee quotes, formulation and implementation of internal audit plans, and review of internal control system.
- The Finance Department (財務部) is primarily responsible for the formulation of financial policies and implementation rules, fund management, formulation of monthly, quarterly and annual financial reports, salary payment, and money collection and reimbursement.
- The Financing Department (融資部) is primarily responsible for formulation and implementing of financing plans.
- The Chief Engineer's Office (總工程師室) is primarily responsible for the study, research and promotion of new national standards, specifications, technologies and rules related to the Group, formulation and implementation of internal standard and rules, strengthening of project study and planning at the preparation phase, formulation and implementation of engineering technology management system and work process, and provision of response related to engineering technology queries.
- The Discipline and Supervision Department (紀檢監察部) is primarily responsible for the discipline inspection and supervision of legal affairs, coordinating and handling various legal affairs, negotiating and signing of major contracts, supervising the performance of various contracts, revising various bylaws, supervising and monitoring the compliance of bylaws, implementing Party and national policies, laws and regulations, and assisting Party organisations in implementing anti-corruption and other Party disciplinary functions.
- The Party and Human Resources Department (黨群人事部) is primarily responsible for Party affairs, human resource planning, recruitment and allocation, staff performance management, compensation and benefits management and labour relations management.

In addition, the Company has established several effective internal control systems, including the daily management system, engineering project management system and financing management system.

PRC REGULATIONS

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

THE PRC LEGAL SYSTEM

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

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

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

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

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

The local courts comprise the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher-level courts supervise the

basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017 and 24 December 2021, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could

also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the “Notice of PBOC Concerning Further Reform of the Foreign Currency Control System”, effective from 1 January 1994. The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the “Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange” (the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the interbank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the “Regulations for the Control of Foreign Exchange of the PRC” (“**Control of Foreign Exchange Regulations**”) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the “**New Forex Regulation**”). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the “Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange” (the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange after

the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the “Notice Concerning the Discontinuance of Foreign Exchange Swap Business” pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore return/round-trip investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardisation of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies which became effective as at 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. On 4 July 2014, SAFE issued the Notice of the SAFE on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (“**Circular 37**”), which became effective at the same day. This notice replaced the notice issued by SAFE in October 2005 mentioned above. According to the notice, “special purpose company” refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Under the notice, a mainland resident can make contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, and a mainland enterprise directly or indirectly controlled by a Mainland resident may, on the basis of real and reasonable needs, disburse loans to its registered special purpose companies pursuant to prevailing provisions, and, a mainland resident may, on the basis of real and reasonable needs, purchase foreign exchanges to remit funds overseas for the establishment, share repurchase, delisting, etc. of a special purpose company. Prior to the establishment or assumption of control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 30 March 2015, SAFE issued the Notice of the SAFE on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (“**Circular 19**”), which became effective from 1 June 2015 and was partially repealed by Circular 39 on 30 December 2019. Circular 142 and Circular 88 have been replaced by Circular 19 and Circular 19 was partially repealed on 30 December 2019. Under Circular 19, Foreign-invested enterprises are allowed to settle their foreign exchange capitals on a discretionary basis, and a foreign invested enterprise shall be facilitated to make domestic equity investment with the amount of foreign exchanges settled.

On 1 July 2009, PBOC, the PRC Ministry of Finance, MOFCOM, the General Administration of Customs, the SAT and the former CBRC jointly promulgated the Measures for the Administration of Pilot Renminbi Settlement in Cross-border Trade, under which, eligible enterprises as designated by

relevant authorities located in the cities or provinces which have been chosen by the State Council to execute the pilot Renminbi trade settlement scheme, are allowed to settle the cross-border trade transactions in Renminbi. PBOC, the PRC Ministry of Finance, MOFCOM, the General Administration of Customs, the State Administration of Taxation and the CBRC jointly promulgated the Circular on Issues Concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades on 17 June 2010 and the Circular on Expansion of the Region of Renminbi Settlement of Cross-Border Trades on 27 July 2011, which, together, extended the pilot scheme to the whole of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide.

REGULATIONS REGARDING OVERSEAS INVESTMENT AND ACQUISITION ACTIVITIES

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platforms. In accordance with Circular 2881, the level of indebtedness of local governments will have an impact on the ability of the financing platform to issue enterprise bonds. On 21 September 2014, the Circular 43 was promulgated by the State Council. Circular 43 aims at regulating the financing system of local government. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC, which took effect on 1 January 2015 and was amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Circular 40 was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations by competent investment authorities before the date when the Circular 43 was promulgated. The key tasks of local governments and banking financial institutions are as follows:

- **Support stock financing needs for projects under construction.** Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. In respect of loans to the projects under construction of financing platform companies, if the loan contracts which are legally binding have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial

institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.

- **Regulate increment financing for projects under construction.** Local governments at all levels shall pay close attention to any incremental financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the incremental financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.
- **Administer in an effective and proper manner follow-up financing for projects under construction.** Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies, such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- **Improve supporting measures.** Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amounts of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

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

On 28 March 2018, MOF promulgated the MOF Circular 23, which came into effect on the same day. Under MOF Circular 23, when providing intermediary services for local government financing platform companies and other local state-owned enterprises regarding issuance of bonds at home and abroad, state-owned financial enterprises shall prudently evaluate the financial capability of fund-raisers and their source of funds for repayment. Where the source of revenue of bond-issuing enterprises involves fiscal funds, due diligence investigation shall be carried out, and the compliance and authenticity of fiscal funds shall be diligently verified. In bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited. It shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

On 11 May 2018, NDRC and MOF jointly issued the Joint Circular. Under Joint Circular, enterprises that take on foreign debts shall have materialised operations, conduct financing activities in compliance with laws after fully demonstrating the necessity of taking on such foreign debts. It is forbidden for enterprises to require or accept local governments and their subordinate departments to provide guarantees or assume debt repayment obligations for their market-oriented financing behaviours in a

variety of ways, so as to ensure that “whoever borrows, who borrows from them, who borrows them, makes prudent decisions, and takes risks at his own expense”. Further, the assets owned by such enterprises shall be of good quality, the ownership shall be clear. It is forbidden that public schools, public hospitals, public cultural facilities, parks, public squares, government office buildings, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities, reserved land use rights and other assets relating to public interests be accounted into enterprises’ assets. It is restated that in bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited, and it shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

NDRC supervision

According to the “Measures for the Administration of Overseas Investment of Enterprises”(企業境外投資管理辦法，國家發展和改革委員會令第11號) effective from 1 March 2018, and replacing “Measures for the Administration of the Approval and Filing of Overseas Investment Projects”(境外投資專案核准和備案管理辦法，國家發展和改革委員會令第9號), the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, areas or industries, regardless of the Investment amount, the projects shall be subject to the approval of NDRC. Other than the projects specified above, the other projects shall be subject to the filing administration. Specifically, overseas investment projects carried out by enterprises under central management, and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the record-filing by NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the record-filing by competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macao Special Administrative Region shall be governed by the “Measures for the Administration of Overseas Investment of Enterprise”.

MOFCOM supervision

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

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

days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

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

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

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

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

Foreign exchange administration

According to the “Circular of the SAFE on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions”, corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

On 13 February 2015, SAFE promulgated Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the “**2015 SAFE Circular**”), which became effective on 1 June 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel the Administrative Examination and Approval Procedures relating to the Foreign Exchange Registration Approval under Domestic Direct Investment and the Foreign Exchange

Registration Approval under Overseas Direct Investment; (ii) cancel the confirmation and registration of foreign investors' non-monetary contribution and the confirmation and registration of foreign investors' contribution to purchasing the equity held by the Chinese party under domestic direct investment; (iii) the confirmation and registration of foreign investors' monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

The 2015 SAFE Circular, which is new regulation, has been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulation will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case maybe) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

State-owned assets supervision

The “Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises” and the “Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises” also apply to overseas investment projects. Where overseas enterprises wholly-owned or controlled by Central Enterprises and their subsidiaries at all levels are involved in contribution with nonmonetary assets, they shall retain a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or value subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval.

If the domestic enterprise is a Central Enterprise, it shall establish and perform investment decision-making procedures and management control system, shall establish and improve administration systems and submitted to SASAC for record-filing, and shall establish annual investment plan and submit it to SASAC and make a copy of the project approval documents to SASAC.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

ENVIRONMENTAL PROTECTION LAWS

The Ministry of Ecology and Environment of the PRC is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC, Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Air Pollution Law of the PRC and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other environmental protection laws applicable to the Group include the “Regulations of Environmental Management on Project”, the “Regulations of Environmental Protection Acceptance Inspection on Projects Completion” and the Environmental Impact Evaluation Law of the PRC.

CROSS-BORDER SECURITY LAWS

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (國家外匯管理局關於發布《跨境擔保外匯管理規定》的通知)(collectively the “**New Regulations**”). The New Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only unless as otherwise expressly specified by the foreign exchange authority; (iii) removing eligibility requirements for providers of cross-border security except for general restriction clauses such as uses of funds which apply to all institutions; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸)(“**NBWD**”): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Dai (外保內貸)(“**WBND**”): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of changes to the principal clauses of the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer’s equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor’s obligations in respect of the Bonds and the Trust Deed (the “**Guarantee**”) are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the local SAFE will go through a procedural review (as opposed to a substantive approval process) of the Guarantor’s application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration. The Guarantor has been advised by its PRC legal advisors that there are no foreseeable obstacles to the completion of the registration so long as all relevant documents have been duly submitted to SAFE.

Under the New Regulations:

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

A PRC non-financial institution may provide guarantee for offshore entities in accordance with the Civil Code of the People's Republic of China and other relevant laws. Where the guarantee performance is triggered for a non-financial institution, the non-financial institution may directly handle the foreign exchange purchase and external payment required to perform its guarantee obligations on the strength of the guarantee registration document with the seal of the foreign exchange bureau affixed thereto.

NDRC FOREIGN DEBT MEASURES

On 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the “**NDRC Circular**”), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The Guarantor obtained the required pre-issue registration under the NDRC Circular. The NDRC Circular itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Although the Guarantor obtained the pre-issuance registration certificate in respect of the offering of the Bonds from NDRC on 8 November 2022, if NDRC finds the Guarantor to be guilty of maliciously obtaining quota of foreign debts or providing false information, NDRC may blacklist or publish on the national credit information platform a bad credit record against the Guarantor, or even punish the Guarantor with other related authorities. In the worst-case scenario, it might become unlawful for the Guarantor to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 13 of the Terms and Conditions of the Bonds. Effective from 10 February 2023, the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》), the “**NDRC Foreign Debt Measures**”) will supersede the NDRC Circular. Similar to the requirement under the NDRC Circular, the Guarantor will be required under the NDRC Foreign Debt Measures to notify the particulars of the issue of the Bonds within ten PRC working days after the issue of the Bonds. In addition, the Guarantor will also be required, among others, to submit relevant information on the Bonds within ten PRC working days upon the expiration of the NDRC certificate, and to complete periodic filling of requisite information including use of proceeds, plan and arrangement of payment of interest and principal and the Guarantor's financial indicators within five PRC working days prior to the end of January and July each year. In case of any material circumstance which may adversely affect the performance of the Guarantor's debt obligations, including any potential non-repayment of debts and major asset restructuring, the Guarantor is required to report relevant information and take risk control measures to prevent spillover of onshore default risk and cross-default risk. Failure to comply with any provision of the NDRC Foreign Debt Measures will subject the Guarantor to regulatory interviews, public reprimands and publication of non-compliance record in public credit systems such as the website of “Credit China” and the national enterprise credit information publicity system.

INDUSTRIAL POLICIES

To provide guidance on the long-term development of the domestic steel and iron industry, the “Policies on Development of the Iron and Steel Industry” (the “**New Policies**”) were promulgated on 8 July 2005 by NDRC with the authorisation of the State Council. The New Policies seek to encourage the growth of the industry as the PRC becomes a major iron and steel producer and to increase the industry’s competitiveness in the global market. The state shall carry out the necessary management of economic activities undertaken by investors of all types in the domestic iron and steel industry, and investment activities undertaken by domestic enterprises in the iron and steel field outside Chinese territory. As a general principle, the establishment of any new iron or steel-related enterprise, independent iron smelter or steel smelter is restricted. The establishment of independent steel-rolling factories is not encouraged. Investments in iron and steel projects are subject to the examination and approval or verification of NDRC in accordance with relevant provisions. For construction projects such as those involving iron smelting, steel smelting or steel rolling, the enterprise itself must contribute no less than 40 per cent. of total capital. A steel enterprise manufacturing conventional steel products which is seeking to invest in an inter-regional iron and steel project must have steel production capacity of 5 million tons or more in the previous year (0.5 million tons or more if the proposed investor manufactures special steel products). To reduce the number of iron and steel enterprises and restructure, optimise and upgrade capacity in the industry, iron and steel enterprises are encouraged to form large groups and carry out strategic re-organisations by way of alliances between major enterprises, mergers and re-organisations, cross-shareholdings and other means.

To guide industrial investment, NDRC promulgated the Guidance Catalogue on the Adjustment of Industrial Structure (2005) (the “**Adjustment Catalogue**”) which was published on 2 December 2005 and revised into the Guidance Catalogue on the Adjustment of Industrial Structure (2011) on 27 March 2011, which was further amended on 16 February 2013 and became effective on 1 May 2013, and revised into the Guidance Catalogue on the Adjustment of Industrial Structure (2019) on 30 October 2019, which was further amended and took effect on 10 January 2022, and the State Council promulgated the “Interim Rules on the Promotion of Adjustment of Industrial Structure” (the “**Interim Rules**”) which was published on 2 December 2005. The Adjustment Catalogue classified a broad range of industrial activities into “encouraged”, “restricted” and “suppressed” categories. Under the Interim Rules, new investment in industrial activities in either the “restricted” or “suppressed” categories is prohibited. Businesses operating in “suppressed” industrial activities are required to cease operations immediately or within the stipulated period. The Interim Rules support the development of cold rolled steel sheets and cold rolled silicon steel, urge the steel industry to build large production bases and increase industry concentration, and propose to apply a mandatory elimination system to those techniques and products with high energy consumption, serious pollution or outdated technologies or which endanger work safety.

The State Council issued the “Plans for Adjustment and Accelerating the Development of the Iron and Steel Industry” (the “**New Plans**”) on 20 March 2009, and the General Office of the State Council issued the Several Opinions on Further Strengthening Energy Saving and Emission Reduction and Accelerating Structural Adjustment of the Iron and Steel Industry on 4 June 2010 to implement the New Plans. These regulations focus on eliminating lagging production capacity, enhancing structural adjustment and accelerating development of the steel industry for the period between 2009 and 2011 by controlling total production, eliminating inefficient production capacity, corporate restructuring, innovation of technology and optimising development planning of the industry. The New Plans provide that any expansion of production capacity shall be restricted, and new steel projects and production expansion projects may not be approved except for the purpose of eliminating lagging production capacity. It is planned to cease utilisation of blast furnaces with a volume of 400m³ or below and convert electric furnaces with a nominal capacity of 30 tons or below, reduce lagging production capacity of 72 million tons for iron melting and 25 million tons for steel smelting, and promote corporate restructuring and industry concentration for the establishment of large enterprises with capacity exceeding 50 million tons, e.g., Bohai Steel Group Co., Ltd. by the end of 2013. The state

encourages large-scale iron and steel enterprises to carry on mining exploration and development activities by establishment of wholly Chinese-funded enterprises or Sino-foreign joint ventures in foreign countries and supports and organises the implementation of overseas mineral resources for projects for which some preliminary work has already been started or completed.

The PRC Ministry of Industry and Information Technology issued the “Standard Conditions for the Iron and Steel Industry”(鋼鐵行業規範條件)(the “**Rules and Qualifications**”) on 1 October 2012 and amended on 1 July 2015. The Rules and Qualifications are formulated to further strengthen the regulation of the steel industry and ensure orderly production and operation of existing steel enterprises through establishing detailed rules and qualifications in respect of product quality, environmental protection, energy consumption and resource utilisation, technology and equipment, scale of production, safety, health and social responsibility. The Ministry of Industry and Information Technology is responsible for uniform management of production and operation of the iron and steel industry and publishes a list of steel enterprises deemed to fulfil the required rules and qualifications after it has consulted other authorities. If a steel enterprise fails to meet such rules and qualifications, the relevant authorities will not approve, or accept filings for new projects, grant rights to mining resources or Manufacturing Licences for Industrial Products or provide credit aid.

Labour Laws

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

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Social Security Law of the PRC (社會保險法) which became effective on 1 July 2011 and amended on 29 December 2018, the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) which became effective on 1 January 1995, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) which was promulgated and became effective on 22 January 1999 and amended on 24 March 2019, the Regulation on Work-Related Injury Insurance (工傷保險條例), which was promulgated on 27 April 2003 and which was further amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) which was promulgated on 3 April 1999 and further amended on 24 March 2002 and 24 March 2019, employers are required to make contribution to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees.

If the employer fails to make social security registration and refuses to rectify within the prescribed time limits, in addition to a standard penalty of anywhere between RMB500 to RMB3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

Regulations on Work Safety

According to the Work Safety Law of the People’s Republic of China (安全生產法) effective from 1 November 2002 and last amended on 10 June 2021, if anything relating to work safety shall be subject to examination and approval according to the provisions of the relevant laws and regulations (including

approval, verification, permission, registration, certification, granting licences, and etc.), the departments responsible for work safety supervision and administration must carry out the examination and approval by strictly following the relevant laws and regulations as well as the conditions and procedures for safe production as required by national or industrial standards. In the event that the administrative department in charge of examination and approval discovers or receives reports that any entity has unlawfully engaged in relevant activities without obtaining approval or without passing the examinations for acceptance, it shall revoke the unlawful act without delay and handle the case according to the law.

Administrative Regulations on the Safety of Hazardous Chemicals (危險化學品安全管理條例), which was promulgated on 26 January 2002 and last amended on 7 December 2013, firstly provides that the State implements the licensing system for the operation of hazardous chemicals (including storage management, hereinafter the same), and without being licensed, any units and individuals shall not deal in hazardous chemicals. Secondly, it provides that the enterprises dealing in hyper-toxic chemicals or hazardous chemicals to make explosives shall file applications to the production safety supervision and administration departments of the local people's governments at municipality (with districts) level and the enterprises dealing in other hazardous chemicals shall file applications to the production safety supervision and administration departments of the local people's governments at county level (if the enterprise has storage facilities, it shall file applications to the production safety supervision and administration department of the local people's government at municipality (with districts) level). Thirdly, the authorities mentioned above shall examine such documents pursuant to laws, conduct onsite verification on the business premises and storage facilities of the applicants, and make the decision of approval or refusal (if the application is approved, the licences for dealing in hazardous chemicals shall be issued). At last, the applicants shall not deal in hazardous chemicals until they hold the license for dealing in hazardous chemicals to handle registration at AICs.

TAXATION

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

BRITISH VIRGIN ISLANDS

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

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

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

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

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

HONG KONG

Withholding Tax

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

Profits Tax

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

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

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

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

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond (for so long as the register of Bondholders is maintained outside Hong Kong).

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Bondholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this “Taxation – PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regards to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Income Tax

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

Taxation on Interest

The EIT Law and its implementation regulations impose withholding tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered to be a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within the PRC and be subject to such PRC withholding tax at a rate of 10 per cent. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within the PRC and be subject to a 20 per cent. individual income tax which the Issuer would be obliged to withhold from payments of interests to non-resident individual holders of the Bonds. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

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

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

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realised by a “non-resident enterprise” that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20 per cent. on income derived from sources within the PRC realised by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realised by holders of the Bonds are treated as income derived from sources within the PRC, such gains will be subject to such PRC tax. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds.

VAT (for interest payments from 1 May 2016)

According to the “Provisional Regulations on the Value-added Tax of the PRC” which was revised by the State Council on 6 February 2016 and further revised on 19 November 2017 and came into effect on the same day, and the “Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC” promulgated by the PRC Ministry of Finance which came into effect on 25 December

1993, amended on 25 December 2008 and further amended on 28 October 2011, took effect on 1 November 2011, organisations or individuals who engage in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovables and importation of goods in the PRC are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent., 11 per cent. or 6 per cent., depending on the items being sold. Unless otherwise provided by the State Council, for taxpayers exporting commodities, the tax rate shall be zero per cent. For organisations and individuals within the PRC engaging in cross-border sale of services, intangible assets within the scope stipulated by the State Council, the tax rate shall be zero per cent.

On 23 March 2016, the Ministry of Finance and SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》 Caishui [2016] No. 36, “**Circular 36**”), which was amended on 11 July 2017 and on 20 March 2019. Circular 36 provides for that the VAT pilot programme will cover construction industry, real estate industry, finance industry, life service industry and other industries on a nation-wide basis from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds may be regarded as financial services by holders of the Bonds. VAT is applicable where the entities or individuals provide services within the PRC. If the Guarantor makes any payments under the Guarantee to the holders of the Bonds, such payment by the Guarantor to the holders may be treated as the holders providing loans to the Guarantor, which thus shall be regarded as the provision of financial services subject to VAT. Further, upon this situation, given that the Guarantor is located in the PRC, the holders may be subject to VAT at the rate of 6 per cent. plus local levies when receiving the payments under the Bonds if the PRC tax authorities deem such financial services is provided within PRC.

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

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

Stamp Duty

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

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related

requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional bonds (as described under “*Terms and Conditions of the Bonds – Further Issues*”) that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Bondholders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

EXCHANGE RATES

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

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

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		<i>(Renminbi per U.S.\$1.00)</i>		
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8343	6.8839	6.9077	6.8755
2019	6.6912	6.9027	7.1543	6.9618
2020	6.5208	6.8878	7.1681	6.5250
2021	6.3435	6.4508	6.5716	6.3726
2022	6.3084	6.7290	7.3048	6.8972
August	6.7230	6.8007	6.9100	6.8890
September	6.8985	7.0195	7.1990	7.1135
October	7.1103	7.1902	7.3048	7.3048
November	7.0440	7.1812	7.3000	7.0879
December	6.8972	6.9717	7.0424	6.8972
2023				
January	6.7010	6.7904	6.9135	6.7540
February (through 3 February)	6.7266	6.7486	6.7733	6.7733

Note:

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

On 30 June 2022, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was U.S.\$1.00 to RMB6.6981 as set forth in the H.10 statistical release of the Federal Reserve Board.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers on 13 February 2023 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to issue, the Guarantor has agreed to guarantee, and the Joint Lead Managers have severally and not jointly agreed with the Issuer and the Guarantor to subscribe and pay for, or to procure subscribers to subscribe and pay for, the principal amount of the Bonds as set forth opposite their names in the following table.

	Principal amount of the Bonds to be subscribed
	<i>U.S.\$</i>
China International Capital Corporation Hong Kong Securities Limited	188,000,000
Guoyuan Securities Brokerage (Hong Kong) Limited	6,000,000
BOCOM International Securities Limited	1,000,000
China Industrial Securities International Brokerage Limited	1,000,000
China PA Securities (Hong Kong) Company Limited	1,000,000
China Securities (International) Corporate Finance Company Limited	1,000,000
CMBC Securities Company Limited	1,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	1,000,000
Total	200,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitle the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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

In connection with the Offering of the Bonds, the Joint Lead Managers and/or their affiliates may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see “*Risk Factors – Risks relating to the Bonds and the Guarantee – The liquidity and price of the Bonds following this offering may be volatile*”). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds among individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds. The Joint Lead Managers and certain of their affiliates

that have a lending relationship with the Issuer and/or the Guarantor may routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

Furthermore, it is possible that only a limited number of investors may subscribe for a significant portion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – An active trading market for the Bonds may not develop*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

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

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

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

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

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

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

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

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

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

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

Underlying investor information in relation to omnibus order should be sent to: IB_Project_TianmuMountain_II@cicc.com.cn

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

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

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

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

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

Each Joint Lead Manager represents and agrees that it has not offered or sold, and will not offer or sell, any Bonds and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Each Joint Lead Manager represents and agrees that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to any Bonds and the Guarantee.

Terms used above have the meaning given to them by Regulation S.

UNITED KINGDOM

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

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

BRITISH VIRGIN ISLANDS

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

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

HONG KONG

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

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

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or

- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

THE PRC

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

JAPAN

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, investors must rely upon your own examination of the Guarantor, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including property, plant and equipment, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 – Revenue from Contracts with Customers is effective for the annual reporting period commencing 1 January 2018.

On 5 July 2017, the MOF issued revised the Accounting Standards for Business Enterprises No. 14 – Revenue (the “**New Revenue Standards**”). According to the transition requirements of the New Revenue Standards, as the Guarantor is not listed overseas, the Guarantor is not required to implement the New Revenue Standards till 1 January 2020.

There is no substantive difference between the New Revenue Standards and IFRS 15 except for the effective date illustrated as above.

Prior to 1 January 2021, the Guarantor used the Accounting Standards for Business Enterprises No. 14 issued by the MOF in February 2006 (the “**Old Revenue Standards**”). Under the Old Revenue Standards, recognition means incorporating an item that meets the definition of revenue in the income statement when it meets the following criteria: it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability. The Old Revenue Standards provide guidance for recognising the specific categories of revenue including sale of goods, rendering of services, interest, royalties, and dividends.

Under the New Revenue Standards and IFRS 15, the core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

Step one: Identify the contract(s) with a customer

Step two: Identify the performance obligations in the contract

Step three: Determine the transaction price

Step four: Allocate the transaction price to the performance obligations in the contract

Step five: Recognise revenue when (or as) the entity satisfies a performance obligation.

Application of this guidance will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

By reviewing the sales contracts which had not been performed as of 1 January 2021, the adoption of the New Revenue Standards did not affect the financial statements of the Guarantor significantly, mainly because the transfer of risks and rewards and the realisation of the performance obligation of the sales contract are usually synchronous. Besides, generally only one performance obligation is identified in each sales contract of the Guarantor. The adoption of the New Revenue Standards had no significant impact on the company's revenue, net profit and shareholders' equity.

LEASES

IFRS 16 – Leases is effective for the annual reporting period commencing 1 January 2019.

On 7 Dec 2018, the MOF issued revised the Accounting Standards for Business Enterprises No. 21 – Leases (the “New Leases Standards”). According to the transition requirements of the New Leases Standards, as the Guarantor is not listed overseas, the Guarantor is not required to implement the New Revenue Standards till 1 January 2021.

There is no substantive difference between the New Leases Standards and IFRS 16 except for the effective date illustrated as above.

Prior to 1 January 2021, the Guarantor used the Accounting Standards for Business Enterprises No. 21 issued by the MOF on February 2006 (the “**Old Leases Standards**”). Under the Old Leases Standards, if a lease is classified as an operating lease, for lessees, the lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit. For lessors, the lease income arising from an operating lease should be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished.

Under the New Leases Standards and IFRS 16, upon lease commencement a lessee recognizes a right-of-use asset and a lease liability other than the two exemptions: leases with a lease term of 12 months or less and containing no purchase options; and leases where the underlying asset has a low value.

Accounting by lessees

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Accounting by lessors

Lessors shall classify each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The adoption of the New Leases Standards had an impact on the shareholder's liabilities and the carrying amount of the right-of-use asset at the beginning of 2021. For the full impact of adopting of the New Leases Standards, please see note no. 30 of the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021 included elsewhere in this Offering Circular.

LAND USE RIGHTS

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

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

GOVERNMENT GRANT

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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

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

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

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

BUSINESS COMBINATIONS UNDER THE COMMON CONTROL

Under PRC GAAP, there are specific provisions for a business combination under common control and the recognition and measurement of the investment.

Under IFRS, there is no such specific provision for a business combination under common control and the recognition and measurement of the investment.

For the years ended 31 December 2019, 2020 and 2021, the Guarantor had no such reversal of impairment losses on assets and business combinations under common control. Therefore, the above technical difference had no substantial impact on the consolidated financial statements of the Guarantor included elsewhere in this Offering Circular.

REVERSAL OF IMPAIRMENT LOSS

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

RELATED PARTY DISCLOSURES

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

Under IFRS, government-related entities are still treated as related parties.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Under PRC GAAP, an enterprise shall measure available-for-sale financial assets at their fair values. If the available-for-sale financial assets do not have a quoted market price in an active market and whose fair value cannot be reliably measured, cost model shall be applied.

Under IFRS, available-for-sale financial assets shall be measured at fair value.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 254048933 and ISIN XS2540489338.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligation under the Bonds. The issue of the Bonds was authorised by the written resolutions of the sole director of the Issuer dated 21 November 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by a board resolution of directors of the Guarantor dated on 30 August 2022 and a shareholder decision of the Guarantor dated on 26 September 2022.
3. **No Material Adverse Change:** There has been no change (nor any development or event involving a prospective change of which the Issuer or the Guarantor is, or might reasonably be expected to be, aware) which is materially adverse to the financial condition, results of operations or general affairs of the Group since 30 June 2022.
4. **Litigation:** The Group is not involved in any litigation or arbitration proceedings that the Group believes are material in the context of the Bonds nor is the Group aware that any such proceedings are pending or threatened.
5. **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection by the holders of the Bonds from the Issue Date at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at (i) the principal office of the Trustee (being as at the date of this Offering Circular at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified office of the Principal Paying Agent, in each case following prior written request and proof of holding and identity satisfactory to the Trustee or, as the case may be, the Principal Paying Agent, and (ii) the registered office of the Issuer:
 - the Trust Deed;
 - the Deed of Guarantee; and
 - the Agency Agreement.
6. **Financial Statements:** The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by RSM China. The Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by RSM China.

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy of such consolidated financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results. The Interim Financial Statements should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor, for the full financial year ending 31 December 2022. See *"Risk Factors – Risks Relating to the Group's Business – The Interim Financial Statements contained in this Offering Circular have been reviewed but have not been audited"*.

7. **Listing:** Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the HKSE will commence on 17 February 2023.

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Auditors' Review Report

Huzhou Economic Development Group Co., Ltd.

RSM ZZ [2022] No.310Z0100

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditors' Review Report

RSM ZZ [2022] NO.310Z0100

To the Shareholders of Huzhou Economic Development Group Co., Ltd.:

We have reviewed the accompanying financial statements of Huzhou Economic Development Group Co., Ltd. (hereafter referred to as "**Huzhou Economic Group Company**"), which comprises the consolidated and the parent company's statement of financial position as at 30 June 2022, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity from 1 January to 30 June 2022, and the notes to the financial statements. The management of **Huzhou Economic Group Company** is responsible for the preparation of these interim financial statements. Our responsibility is to issue our review report on these interim financial statements based on our review.

We conducted our review in accordance with the *Review Standard for Chinese Certified Public Accountants No.2101 Review of Financial Statements*. The standard requires us to plan and conduct a review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company's personnel and performing analytical procedures on the data. A review provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

interim financial statements are not prepared in accordance with the requirement in Accounting Standards for Business Enterprises, or it fails to fairly reflect in all significant respects, the consolidated and the **Huzhou Economic Group Company's** financial position as at 30 June 2022, and of their financial performance and cash flows from 1 January to 30 June 2022.

(There is no text below, the following is the signature and seal page of Huzhou Economic Development Group Co., Ltd.'s RSM ZZ [2022] No.310Z0100 auditors' review report.)



China·Beijing



Name of CPA: 叶帮芬

China Certified Public Accountant



Name of CPA: 陈志敏

China Certified Public Accountant

Date: 30 November 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Prepared by: Hunan Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	30 Jun. 2022	31 Dec. 2021	Item	Note	30 Jun. 2022	31 Dec. 2021
Current assets:				Current liabilities:			
Cash and cash equivalents	5.1	5,157,229,449.44	4,213,825,721.79	Short-term borrowings	5.22	5,445,193,831.33	3,883,094,591.85
Held-for-trading financial assets	5.2	205,774,520.55	135,774,520.55	Held-for-trading financial liabilities			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	5.3	30,000,000.00		Notes payable	5.23		24,335,088.00
Accounts receivable	5.4	1,409,842,156.98	1,664,287,611.66	Accounts payable	5.24	885,296,811.91	860,583,254.42
Accounts receivable financing				Advances from customers	5.25	20,605,996.61	17,263,690.43
Prepayments	5.5	687,820,785.33	621,453,267.58	Contract liabilities	5.26	174,994,635.26	253,529,745.56
Other receivables	5.6	12,333,143,605.95	11,825,205,475.41	Employee benefits payable	5.27	578,573.13	1,155,499.31
Including: Interest receivable				Taxes payable	5.28	290,662,439.16	285,550,060.52
Dividend receivable				Other payables	5.29	870,081,497.24	1,553,734,645.11
Interventions	5.7	43,010,559,190.15	41,673,234,080.84	Including: Interest payable			
Contract assets				Dividend payable		947,222.22	947,222.22
Assets classified as held for sale				Liabilities classified as held for sale			
Non-current assets maturing within one year				Non-current liabilities maturing within one year	5.30	8,264,102,101.93	11,286,058,012.96
Other current assets	5.8	188,742,675.10	49,683,224.24	Other current liabilities	5.31	72,219,464.71	11,232,438.53
Total current assets		63,023,112,383.50	60,183,463,902.01	Total current liabilities		16,023,735,351.28	18,176,537,026.69
Non-current assets:				Non-current liabilities:			
Debt investments	5.9			Long-term borrowings	5.32	9,686,379,585.97	6,545,995,916.46
Other debt investments				Bonds payable	5.33	14,233,039,125.31	13,276,590,343.95
Long-term receivables	5.10	156,681,488.84	156,681,488.84	Including: Preference shares			
Long-term equity investments	5.11	2,010,079,169.32	1,556,730,175.46	Perpetual bonds			
Other equity instrument investments	5.12	291,548,000.00	289,048,000.00	Lease liabilities			
Other non-current financial assets	5.13	594,244,223.11	591,003,327.11	Long-term payables	5.34	5,620,605,620.99	5,523,731,040.90
Investment properties	5.14	2,460,660,708.82	2,413,040,143.62	Long-term employee benefits payable			
Property, plant and equipment	5.15	1,893,204,589.95	1,858,024,338.92	Estimated liabilities			
Construction in progress	5.16	610,353,924.03	236,352,541.25	Deferred income			
Productive biological assets				Deferred tax liabilities	5.20	224,659,208.11	224,659,208.11
Oil and gas assets				Other non-current liabilities	5.35	2,006,575,774.35	1,506,053,387.38
Right-of-use assets				Total non-current liabilities		31,771,259,314.73	27,077,029,896.83
Intangible assets	5.17	274,601,651.68	68,557,422.08	Total liabilities		47,794,994,666.01	45,253,566,923.52
Research and development expenditure	5.18	90,876,224.20		Owners' equity:			
Goodwill				Paid-in capital	5.36	500,000,000.00	500,000,000.00
Long-term deferred expenses	5.19	136,575,385.39	134,776,887.75	Other equity instruments	5.37	900,000,000.00	500,000,000.00
Deferred tax assets	5.20	31,907,701.01	25,134,309.78	Including: Preference shares			
Other non-current assets	5.21	898,052,094.00	887,414,894.00	Perpetual bonds		900,000,000.00	500,000,000.00
Total non-current assets		9,448,785,160.15	8,216,763,528.81	Capital reserves	5.38	18,027,959,370.46	16,939,993,013.31
				Less: Treasury stock			
				Other comprehensive income	5.39	442,166,596.42	465,185,487.89
				Specific reserves			
				Surplus reserves	5.40	203,475,077.26	203,475,077.26
				Retained earnings	5.41	3,332,606,414.00	3,275,375,337.49
				Total owner's equity attributable to parent company		23,406,207,458.14	21,884,028,915.95
				Non-controlling interests		1,270,695,419.50	1,262,631,591.41
				Total owners' equity		24,676,902,877.64	23,146,660,507.36
Total assets		72,471,897,543.65	68,400,227,430.88	Total liabilities and owners' equity		72,471,897,543.65	68,400,227,430.88

Legal Representative:

Chief Financial Officer:

Finance Manager:



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE**

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2022	2021
I. Revenue			
Less: Costs of sales	5.42	955,731,461.48	1,334,154,216.46
Taxes and surcharges			
Selling and distribution expenses		10,448,003.61	7,666,015.13
General and administrative expenses		1,273,041.49	1,648,198.70
Research and development expenses		85,865,187.41	66,101,876.71
Finance costs	5.43	93,391,136.03	76,449,352.85
Including: Interest expenses		100,209,245.81	91,444,551.50
Interest income		24,565,760.55	18,400,665.20
Add: Other income			
Investment income/(losses)	5.44	140,395,590.37	143,010,174.27
Including: Investment income from associates and joint ventures	5.45	3,267,593.86	-52,780.87
Derecognition income of financial assets measured at amortized cost		-1,006.14	-52,780.87
Income/(losses) from net exposure hedging			
Gains/(losses) from changes in fair values			
Credit impairment losses	5.46	-27,953,165.26	-9,459,095.50
Impairment loss of assets			
Gains/(losses) from disposal of assets			
II. Profit/(loss) from operations		45,194,960.21	68,051,967.01
Add: Non-operating income	5.47	601,228.95	204,600.64
Less: Non-operating expenses	5.48	5,075.24	854,814.69
III. Profit/(loss) before tax		45,791,113.92	67,401,752.76
Less: Income tax expenses	5.49	-6,203,790.68	-2,176,643.50
IV. Net profit/(loss) for the year		51,994,904.60	69,578,396.26
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation			
Net profit/(loss) from discontinued operation		51,994,904.60	69,578,396.26
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		57,231,076.51	70,037,826.83
Attributable to non-controlling interests		-5,236,171.91	-459,430.57
V. Other comprehensive income for the year, after tax		-23,018,891.47	4,011,938.05
(a) attributable to owners of the parent		-23,018,891.47	4,011,938.05
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's own credit risk			
(ii) Items that may be reclassified subsequently to profit or loss		-23,018,891.47	4,011,938.05
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Changes in the fair value of other debt investments			
3. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified and included in other comprehensive income			
5. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
6. Credit impairment reserves of other debt investments			
7. The effective portion of the gains/losses on cash flow hedge			
8. Exchange differences on translating foreign operations		-23,018,891.47	4,011,938.05
9. The real estates for self-use or as inventories are transformed into the investment properties which adopts the fair value model for subsequent measurement			
10. Others			
(b) Attributable to non-controlling interests			
VI. Total comprehensive income for the year		28,976,013.13	73,590,334.31
Attributable to owners of the parent		34,212,185.04	74,049,764.88
Attributable to non-controlling interests+4;56		-5,236,171.91	-459,430.57

Legal Representative:

Chief Financial Officer:

Finance Manager:



CONSOLIDATED STATEMENT OF CASH FLOWS **FOR THE SIX MONTHS ENDED 30 JUNE**

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2022	2021
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		989,879,124.67	1,010,890,153.26
Refund of tax and levies		51,691,002.10	5,023,463.02
Other cash received relating to operating activities		4,047,910,174.14	3,690,515,717.85
Sub-total of cash inflows from operating activities		5,089,480,300.91	4,706,429,334.13
Cash paid for received commodities or labor		1,212,405,076.90	2,212,097,059.94
Cash paid to and for employees		29,186,920.00	25,369,490.22
Payments of all types of taxes		42,453,265.91	11,469,125.08
Other cash paid relating to operating activities		4,961,071,553.81	4,730,556,612.41
Sub-total of cash outflows from operating activities		6,245,116,816.62	6,979,492,287.65
Net cash flows from operating activities		-1,155,636,515.71	-2,273,062,953.52
II. Cash flows from investing activities			
Cash received from disposal of investments			475,000,000.00
Cash received from returns on investments		168,600.00	
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries or other business units			
Other cash received relating to investing activities		819,445.38	
Sub-total of cash inflows from investing activities		988,045.38	475,000,000.00
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		355,501,377.95	1,199,622,404.01
Cash paid to acquire investments		525,850,000.00	95,800,000.00
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities		250,100,093.02	
Sub-total of cash outflows from investing activities		1,131,451,470.97	1,295,422,404.01
Net cash flows from investing activities		-1,130,463,425.59	-820,422,404.01
III. Cash flows from financing activities			
Cash received from capital contributions		543,300,000.00	423,838,500.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries			
Cash received from borrowings		11,985,395,822.00	9,438,100,000.00
Other cash received relating to financing activities		2,166,865,058.78	6,062,315,699.22
Sub-total of cash inflows from financing activities		14,695,560,880.78	15,924,254,199.22
Cash repayments of amounts borrowed		9,547,572,784.88	8,170,587,688.11
Cash payments for dividends, distribution of profit or interest expenses		851,336,498.21	961,900,678.06
Including: Cash payments for dividends and distribution of profit to minority shareholders			
Other cash payments relating to financing activities		789,965,022.00	1,835,179,067.10
Sub-total of cash outflows from financing activities		11,188,874,305.09	10,967,667,433.27
Net cash flows from financing activities		3,506,686,575.69	4,956,586,765.95
IV. Effect of foreign exchange rate changes on cash and cash equivalents			3,429,062.27
V. Net increase / (decrease) in cash and cash equivalents		1,220,586,634.39	1,866,530,470.69
Plus: Cash and cash equivalents at the beginning of the period		2,175,632,828.64	1,757,580,774.91
VI. Cash and cash equivalents at the end of the period		3,396,219,463.03	3,624,111,245.60

Legal Representative:

Chief Financial Officer:

Finance Manager:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE

Unit: Yuan Currency: CNY

2022													
Item	Owners' equity attributable to the parent company											Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Sub-total		
		Preference shares	Perpetual bonds	Others									
I. Balance at 31 December 2021	500,000,000.00	-	500,000,000.00	-	16,939,993,013.31	-	465,185,487.89	-	203,475,077.26	3,275,375,337.49	21,884,028,915.95	1,262,631,591.41	23,146,660,507.36
Add: Changes in accounting policy													
Correction of prior period errors													
Business combination under common control													
Others													
II. Balance at 1 January 2022	500,000,000.00	-	500,000,000.00	-	16,939,993,013.31	-	465,185,487.89	-	203,475,077.26	3,275,375,337.49	21,884,028,915.95	1,262,631,591.41	23,146,660,507.36
III. Changes in equity during the reporting period													
(i) Total comprehensive income													
(ii) Capital contributions or withdrawals													
1. Ordinary shares contributed by owners					1,087,966,357.15	-	-23,018,891.47	-	-	57,231,076.51	1,522,178,542.19	8,063,828.09	1,530,242,370.28
2. Capital contributed by holders of other equity instruments					-	-	-23,018,891.47	-	-	57,231,076.51	34,212,185.04	-5,236,171.91	28,976,013.13
3. Share-based payments recognised in owners' equity					1,087,966,357.15	-	-	-	-	-	1,487,966,357.15	13,300,000.00	1,501,266,357.15
4. Others					-	-	-	-	-	-	-	13,300,000.00	13,300,000.00
(iii) Profit distribution													
1. Withdrawal of surplus reserves					-	-	-	-	-	-	-	-	-
2. Profit distribution to investors (or shareholders)					-	-	-	-	-	-	-	-	-
3. Others					-	-	-	-	-	-	-	-	-
(iv) Transfer between equity													
1. Capital reserves transfer to paid-in capital					-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital					-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits					-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings					-	-	-	-	-	-	-	-	-
5. Other comprehensive income transfer to retained earnings					-	-	-	-	-	-	-	-	-
6. Others					-	-	-	-	-	-	-	-	-
(v) Specific reserves													
1. Withdrawal during the reporting period					-	-	-	-	-	-	-	-	-
2. Usage during the reporting period					-	-	-	-	-	-	-	-	-
(vi) Others					-	-	-	-	-	-	-	-	-
Balance at 30 June 2022	500,000,000.00	-	900,000,000.00	-	18,027,959,370.46	-	442,166,596.42	-	203,475,077.26	3,332,606,414.00	23,406,207,458.14	1,270,695,419.50	24,676,902,877.64

Finance Manager:

Chief Financial Officer:

Legal Representative:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE

Unit: Yuan Currency: CNY

Prepared by: Huzhou Economic Development Group Co., Ltd.

Item	Owners' equity attributable to the parent company										Non-controlling interests	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings		
		Preference shares	Perpetual bonds	Others							Sub-total	
I. Balance at 31 December 2020	500,000,000.00	-	-	-	14,291,098,223.21	-	433,674,465.40	-	206,932,044.90	2,989,416,040.60	18,421,120,774.11	18,421,120,774.11
Add: Changes in accounting policy												
Correction of prior period errors										-303,552.42	-303,552.42	-303,552.42
Business combination under common control												
Others												
II. Balance at 1 January 2021	500,000,000.00	-	-	-	14,291,098,223.21	-	433,674,465.40	-	206,932,044.90	2,989,112,488.18	18,420,817,221.69	18,420,817,221.69
III. Change in equity during the reporting period												
(i) Total comprehensive income					1,678,140,363.80		4,011,938.05			66,208,045.92	1,748,360,347.77	1,748,360,347.77
(ii) Capital contributions or withdrawals by owners												
1. Ordinary shares contributed by owners					1,678,140,363.80		4,011,938.05			66,208,045.92	70,219,983.97	70,219,983.97
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognised in owners' equity												
4. Others												
(iii) Profit distribution												
1. Withdrawal of surplus reserves												
2. Profit distribution to investors (or shareholders)												
3. Others												
(iv) Transfer between equity												
1. Capital reserves transfer to paid-in capital												
2. Surplus reserves transfer to paid-in capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Other comprehensive income transfer to retained earnings												
6. Others												
(v) Specific reserves												
1. Withdrawal during the reporting period												
2. Usage during the reporting period												
(vi) Others												
IV. Balance at 30 June 2021	500,000,000.00	-	-	-	15,969,238,587.01	-	437,686,403.45	-	206,932,044.90	3,055,320,534.10	20,169,177,569.46	20,169,177,569.46

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF FINANCIAL POSITION

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	30 Jun. 2022	31 Dec. 2021	Item	Note	30 Jun. 2022	31 Dec. 2021
Current assets:				Current liabilities:			
Cash and cash equivalents		1,210,974,824.01	1,206,897,260.38	Short-term borrowings		2,063,634,817.49	1,019,550,839.38
Held-for-trading financial assets		-	-	Held-for-trading financial liabilities		-	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable		-	-	Notes payable		-	-
Accounts receivable		-	-	Accounts payable		478,065,279.32	442,369,061.71
Accounts receivable financing		-	-	Advances from customers		-	-
Prepayments		-	-	Contract liabilities		-	-
Other receivables	13.1	10,610,411,634.70	6,922,431,211.18	Employee benefits payable		-	-
Including: Interest receivable		-	-	Taxes payable		-	103.07
Dividend receivable		-	-	Other payables		1,922,713,458.78	2,443,698,200.03
Inventories		-	-	Including: Interest payable		-	-
Contract assets		-	-	Dividend payable		947,222.22	947,222.22
Assets classified as held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year		1,879,124,477.65	2,863,505,316.27
Other current assets		12,202.49	-	Other current liabilities		-	-
Total current assets		11,821,398,661.20	8,129,328,471.56	Total current liabilities		6,343,538,033.24	6,769,123,520.46
Non-current assets:				Non-current liabilities:			
Debt investments		-	-	Long-term borrowings		1,490,400,000.00	50,000,000.00
Other debt investments		-	-	Bonds payable		3,678,930,000.00	2,383,865,000.00
Long-term receivables		-	-	Including: Preference shares		-	-
Long-term equity investments	13.2	19,650,166,368.50	19,643,466,368.50	Perpetual bonds		-	-
Other equity instrument investments		2,500,000.00	-	Lease liabilities		-	-
Other non-current financial assets		-	-	Long-term payables		1,439,425,740.03	902,948,124.41
Investment properties		-	-	Long-term employee benefits payable		-	-
Property, plant and equipment		670,283.29	679,770.99	Estimated liabilities		-	-
Construction in progress		7,296,202.44	3,140,261.04	Deferred income		-	-
Productive biological assets		-	-	Deferred tax liabilities		-	-
Oil and gas assets		-	-	Other non-current liabilities		1,248,571,328.14	749,131,250.00
Right-of-use assets		-	-	Total non-current liabilities		7,857,327,068.17	4,085,944,374.41
Intangible assets		337,653.33	376,613.33	Total liabilities		14,200,865,101.41	10,855,067,894.87
Research and development expenditure		-	-	Owners' equity:			
Goodwill		-	-	Paid-in capital		500,000,000.00	500,000,000.00
Long-term deferred expenses		22,689,705.87	20,788,235.29	Other equity instruments		900,000,000.00	500,000,000.00
Deferred tax assets		-	-	Including: Preference shares		-	-
Other non-current assets		88,151,000.00	71,803,000.00	Perpetual bonds		900,000,000.00	500,000,000.00
Total non-current assets		19,771,811,213.43	19,740,254,249.15	Capital reserves		16,191,689,743.28	16,191,689,743.28
				Less: Treasury stock		-	-
				Other comprehensive income		-	-
				Specific reserves		-	-
				Surplus reserves		-	-
				Retained earnings		-199,344,970.06	-177,174,917.44
				Total owner's equity		17,392,344,773.22	17,014,514,825.84
Total assets		31,593,209,874.63	27,869,582,720.71	Total liabilities and owners' equity		31,593,209,874.63	27,869,582,720.71

Legal Representative:

Chief Financial Officer:

Finance Manager:



**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE**

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2022	2021
I. Revenue		-	
Less: Costs of sales		-	
Taxes and surcharges		19,392.55	27,500.00
Selling and distribution expenses		-	-
General and administrative expenses		12,519,306.23	10,729,472.86
Research and development expenses		-	-
Finance costs		-2,224,269.52	-319,960.26
Add: Other income		5,964.28	3,435.61
Investment income/(losses)		-	-
Including: Investment income from associates and joint ventures			
Derecognition income of financial assets measured at amortized cost			
Income/(losses) from net exposure hedging			
Gains/(losses) from changes in fair values			
Credit impairment losses		-11,856,827.64	1,739.81
Impairment loss of assets		-	-
Gains/(losses) from disposal of assets		-	-
II. Profit/(loss) from operations		-22,165,292.62	-10,431,837.18
Add: Non-operating income		-	-
Less: Non-operating expenses		4,760.00	535,576.20
III. Profit/(loss) before tax		-22,170,052.62	-10,967,413.38
Less: Income tax expenses		-	-
IV. Net profit/(loss) for the year		-22,170,052.62	-10,967,413.38
Net profit/(loss) from continuing operation		-22,170,052.62	-10,967,413.38
Net profit/(loss) from discontinued operation		-	-
V. Other comprehensive income for the year, after tax		-	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1. Remeasurement of the net defined benefit liability (asset)		-	-
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be		-	-
3. Changes in the fair value of other equity instrument investments		-	-
4. Changes in fair value of the enterprise's own credit risk		-	-
(ii) Items that may be reclassified subsequently to profit or loss		-	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss		-	-
2. Changes in the fair value of other debt investments		-	-
3. Gains/(losses) arising from changes in fair value of available-for-sale financial assets		-	-
4. Amount of financial assets reclassified and included in other comprehensive income		-	-
5. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		-	-
6. Credit impairment reserves of other debt investments		-	-
7. The effective portion of the gains/losses on cash flow hedge		-	-
8. Exchange differences on translating foreign operations		-	-
9. The real estates for self-use or as inventories are transformed into the investment properties which adopts the fair value model for subsequent measurement		-	-
VI. Total comprehensive income for the year		-22,170,052.62	-10,967,413.38

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2022	2021
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		178.93	103.07
Refund of tax and levies			
Other cash received relating to operating activities		729,524,626.68	644,009,246.19
Sub-total of cash inflows from operating activities		729,524,805.61	644,009,349.26
Cash paid for received commodities or labor			1,493,548.00
Cash paid to and for employees		8,817,142.60	4,989,426.97
Payments of all types of taxes		12,484.49	27,500.00
Other cash paid relating to operating activities		4,852,305,286.62	1,413,221,413.22
Sub-total of cash outflows from operating activities		4,861,134,913.71	1,419,731,888.19
Net cash flows from operating activities		-4,131,610,108.10	-775,722,538.93
II. Cash flows from investing activities			
Cash received from disposal of investments			475,000,000.00
Cash received from returns on investments			
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets			
Net cash received from disposals of subsidiaries or other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities			475,000,000.00
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		4,251,064.19	24,239.00
Cash paid to acquire investments		9,200,000.00	
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities		130,000,000.00	
Sub-total of cash outflows from investing activities		143,451,064.19	24,239.00
Net cash flows from investing activities		-143,451,064.19	474,975,761.00
III. Cash flows from financing activities			
Cash received from capital contributions		530,000,000.00	
Cash received from borrowings		5,915,450,000.00	1,062,500,000.00
Other cash received relating to financing activities		99,298,450.00	511,400,000.00
Sub-total of cash inflows from financing activities		6,544,748,450.00	1,573,900,000.00
Cash repayments of amounts borrowed		2,160,956,264.08	503,740,000.00
Cash payments for dividends, distribution of profit or interest expenses			13,863,976.81
Other cash payments relating to financing activities		5,355,000.00	335,544,589.84
Sub-total of cash outflows from financing activities		2,166,311,264.08	853,148,566.65
Net cash flows from financing activities		4,378,437,185.92	720,751,433.35
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase/(decrease) in cash and cash equivalents		103,376,013.63	420,004,655.42
Plus: Cash and cash equivalents at the beginning of the period		930,712,677.05	134,338,747.83
VI. Cash and cash equivalents at the end of the period		1,034,088,690.68	554,343,403.25

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE

Unit: Yuan Currency: CNY

	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Others							
I. Balance at 31 December 2021	500,000,000.00	-	500,000,000.00	-	16,191,689,743.28	-	-	-	-	-177,174,917.44	17,014,514,825.84
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2021	500,000,000.00	-	500,000,000.00	-	16,191,689,743.28	-	-	-	-	-177,174,917.44	17,014,514,825.84
III. Changes in equity during the reporting period	-	-	400,000,000.00	-	-	-	-	-	-	-22,170,052.62	377,829,947.38
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-22,170,052.62	-22,170,052.62
(ii) Capital contributions or withdrawals by owners	-	-	400,000,000.00	-	-	-	-	-	-	-	400,000,000.00
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. The amount of share-based payments recorded in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	400,000,000.00	-	-	-	-	-	-	-	400,000,000.00
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2022	500,000,000.00	-	900,000,000.00	-	16,191,689,743.28	-	-	-	-	-199,344,970.06	17,392,344,773.22

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE

Unit: Yuan Currency: CNY

Item	2021						
	Paid-in capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: Treasury stock	Other comprehensive income
I. Balance at 31 December 2020	500,000,000.00	-	-	-	16,191,689,743.28	-	-
Add: Changes in accounting policy							
Correction of prior period errors							
Others							
II. Balance at 1 January 2021	500,000,000.00	-	-	-	16,191,689,743.28	-	-
III. Changes in equity during the reporting period							
(i) Total comprehensive income							
(ii) Capital contributions or withdrawals by owners							
1. Ordinary shares contributed by owners							
2. Capital contributed by holders of other equity instruments							
3. The amount of share-based payments recorded in owners' equity							
4. Others							
(iii) Profit distribution							
1. Withdrawal of surplus reserves							
2. Profit distribution to investors (or shareholders)							
3. Others							
(iv) Transfer between equity							
1. Capital reserves transfer to paid-in capital							
2. Surplus reserves transfer to paid-in capital							
3. Surplus reserves used to cover accumulated deficits							
4. Defined benefit plan transfer to retained earnings							
5. Other comprehensive income transfer to retained earnings							
6. Others							
(v) Specific reserves							
1. Withdrawal during the reporting period							
2. Usage during the reporting period							
(vi) Others							
IV. Balance at 30 June 2021	500,000,000.00	-	475,000,000.00	-	16,191,689,743.28	-	-97,223,434.92

Legal Representative:

Chief Financial Officer:

Finance Manager:



Huzhou Economic Development Group Co., Ltd.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts are expressed in Chinese Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

Huzhou Economic Development Group Co., Ltd. (hereinafter referred to as "the **Company**") was a limited liability company wholly set up by Huzhou Xincheng Public Engineering Co., Ltd. on 24 June 2013. The registered capital of the **Company** was CNY300.00 million, and the **Company** was called Huzhou Juyuan City Construction Development Co., Ltd. at first. On 22 April 2016, the **Company** obtained unified social credit code 913305010716498516.

On 12 October 2018, the name of the **Company** changed from Huzhou Juyuan City Construction Development Co., Ltd. to Huzhou Economic Development Group Co., Ltd. by Huzhou Market Supervision Administration Huzhou Economic and Technological Development Sub-bureau.

On 31 October 2018, according to Huzhou State-owned Assets [2018] No.126 Document, the investor of the **Company** was changed to State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government by the free transfer of state-owned assets.

On 7 February 2020, State-owned Assets Supervision and Administration Commission of Huzhou Municipal People's Government increased the amount of investment, so that the registered capital of the **Company** increased to CNY2.00 billion.

As at 30 June 2022, the registered capital of the **Company** was CNY2.00 billion, and the paid-in capital was CNY500.00 million. The parent company and ultimate controlling owner was State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government with 100.00% shareholding.

Legal representative: Yuyu Shen.

The **Company's** Address: Room 2019, Kaitai Building, Huzhou Economic and Technological Development Zone, Huzhou, Zhejiang.

Scope of business: dispatch and management of urban construction funds, construction, development, operation and management of urban infrastructure, supporting facilities construction and social welfare facilities, comprehensive development and operation of real estate, property management and reconstruction of central urban area; development of Huantaihu's water conservancy and agricultural tourism; preliminary development of urban construction land and handling of land transfer matters; market operation

management and service, construction, development and operation of market and school buildings, rental and management of stock assets and parking lot operation. (Projects needed to be approved by laws, and only after the approval of relevant departments can business activities be carried out.)

Date of the approval of financial report: the financial statements were approved by the **Company's** conference of board of directors on 30 November 2022.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Level	Proportion of ownership interest (%)	
				Direct	Indirect
1	Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huantaihu Group Company	First	100.00	
1-1	Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Jinfu Equity Investment Company	Second		100.00
1-2	Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Saiyuan Equity Investment Company	Third		88.1988
1-3	Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou Saihan Equity Company	Third		69.5122
1-4	Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Tiegongshui Logistics Zone Company	Second		90.9091
1-5	Rongyuan International Investment Co., Ltd.	Rongyuan International Company	Second		100.00
1-6	Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Ronghua Electronics Company	Third		100.00
1-7	Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Rongyuan Technology City Company	Second		100.00
1-8	Huantaihu International Investment Co., Ltd.	Huantaihu International Company	Second		100.00
1-9	Huzhou Bonded Logistics Centre Co., Ltd.	Bonded Logistics Company	Second		100.00
1-10	Huzhou Bonded Logistics Centre International Trade Co., Ltd.	Bonded Logistics Centre Company	Third		100.00
1-11	Huzhou Jingkai Property Management Co., Ltd.	Jingkai Property Company	Second		100.00
1-12	Jin Kai Catering Service (Huzhou) Co., Ltd.	Jin Kai Catering Company	Third		100.00
1-13	Huzhou Huanhu Yijia Pension	Huanhu Yijia Company	Second		65.00

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Level	Proportion of ownership interest (%)	
				Direct	Indirect
	Service Co., Ltd.				
1-14	Huzhou Jingkai Hotel Management Co., Ltd.	Jingkai Hotel Company	Second		100.00
1-15	Huzhou Jingkai International Logistics Park Development Co., Ltd.	International Logistics Park Company	Second		100.00
1-16	Huzhou Jingkai Bonded International Trade Co., Ltd.	Jingkai Bonded Company	Third		100.00
1-17	Huzhou Ruijing Trading Co., Ltd.	Ruijing Trading Company	Second		70.00
1-18	Huzhou Jinshi Equity Investment Co., Ltd.	Jinshi Equity Investment Company	Second		100.00
1-19	Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Jinsheng Equity Investment Company	Third		50.2488
1-20	Huzhou Jinkun Equity Investment Partnership (Limited Partnership)	Jinkun Equity Investment Company	Third		100.00
1-21	Huzhou Jinyu Equity Investment Partnership (Limited Partnership)	Jinyu Equity Investment Company	Third		100.00
1-22	Huzhou Jingkai Products Management Co., Ltd.	Jingkai Products Company	Second		100.00
1-23	Huzhou Jingkai Wisdom Parking Management Co., Ltd.	Wisdom Parking Management Company	Third		100.00
1-24	Huzhou Xinchuang Park Development and Operation Co., Ltd.	Xinchuang Park Company	Second		100.00
1-25	Huzhou Jingkai New Energy Technology Co., Ltd.	New Energy Technology Company	Second		65.00
1-26	Huzhou Jingkai Petrochemical Co., Ltd.	Jingkai Petrochemical Company	Second		51.00
1-27	Huzhou Huanqiao Construction and Development Co., Ltd.	Huanqiao Construction Company	Second		100.00
1-28	Huzhou Minchi Automobile Co., Ltd.	Minchi Automobile Company	Third		100.00
1-29	Huzhou Jingcheng Automobile Co., Ltd.	Jingcheng Automobile Company	Fourth		100.00
2	Huzhou Xisaishan Development and Construction Co., Ltd.	Xisaishan Construction Company	First	100.00	
2-1	Huzhou Chengxi New Rural Construction and Investment Co., Ltd.	Chengxi New Rural Company	Second		100.00

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Level	Proportion of ownership interest (%)	
				Direct	Indirect
2-2	Huzhou Jingqiao Trading Co., Ltd.	Jingqiao Trading Company	Third		51.00
2-3	Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Nantaihu Kejian Company	Second		100.00
2-4	Huzhou Ruizhong Trade Co., Ltd.	Ruizhong Trade Company	Second		70.00
3	Zhejiang Huzhou Kaixin Digital Technology Co., Ltd.	Kaixin Digital Company	First		67.00
4	Huzhou Jingkai Construction Management Co., Ltd.	Jingkai Construction Company	First	100.00	

For details of the subsidiaries mentioned above, please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Reporting period	Reason
1	Huzhou Huanqiao Construction and Development Co., Ltd.	Huanqiao Construction	From Feb. to Jun. 2022	Business combination not under common control
2	Huzhou Minchi Automobile Co., Ltd.	Minchi Automobile	From Feb. to Jun. 2022	Business combination not under common control
3	Huzhou Jingcheng Automobile Co., Ltd.	Jingcheng Automobile	From Feb. to Jun. 2022	Business combination not under common control
4	Huzhou Enchi Automotive Co., Ltd.	Enchi Automotive	From Feb. to Jun. 2022	Business combination not under common control
5	Zhejiang Huzhou Kaixin Digital Technology Co., Ltd.	Kaixin Digital Company	From Apr. to Jun. 2022	Set up
6	Huzhou Jingkai Construction Management Co., Ltd.	Jingkai Construction Company	From Apr. to Jun. 2022	Set up

The subsidiaries reduced during the reporting period are as follows:

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Reporting period	Reason
1	Huzhou Enchi Automotive Co., Ltd.	Enchi Automotive	From Feb. to Jun. 2022	Sold

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the **Company** prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* and concrete accounting standards, *Accounting Standards for Business Enterprises - Application Guidelines*, *Accounting Standards for Business Enterprises - Interpretations* and other relevant provisions (collectively known as "*Accounting Standards for Business Enterprises*, issued by Ministry of Finance of PRC").

2.2 Going Concern

The **Company** has evaluated its capacity to continually operate in the next twelve months from the end of the reporting period, and no other matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the **Company** to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following important accounting policies and accounting estimates of the **Company** are formulated in accordance with the *Accounting Standards for Business Enterprises*. Business not mentioned are executed according to the relevant accounting policies in the *Accounting Standards for Business Enterprises*.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the **Company** meet the requirements of the *Accounting Standards for Business Enterprises* and truly and completely reflect the **Company's** financial position, operating results and cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the **Company** is from January 1 to December 31 in calendar year. The accounting period of the financial information of the **Company's** financial statements is from 1 January 2022 to 30 June 2022.

3.3 Operating Cycle

The normal operating cycle of the **Company** is one year.

3.4 Functional Currency

The **Company** takes Chinese Yuan ("CNY") as the functional currency.

The **Company's** overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the **Company** obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity in the ultimate controller's consolidated financial statements at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

For the accounting treatment of business combination under common control by step acquisitions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(b) Business combinations not under common control

The assets and liabilities that the **Company** obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

For the accounting treatment of business combination not under common control by step acquisitions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(c) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue

equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the **Company** has all the following: power over the investee; exposure, or rights to variable returns from the **Company's** involvement with the investee; and the ability to use the **Company's** power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the **Company** has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) Special requirement as the parent company is an investment entity

If the parent company is an investment entity, it should measure its investments in particular subsidiaries as financial assets at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. However, as an exception to this requirement, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated.

The parent company is defined as investment entity when meets following conditions:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

If the parent company becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary which provides investment-related services or activities to the investment entity shall be continued to be consolidated. The deconsolidation of subsidiaries is accounted for as though the investment entity partially disposed subsidiaries without loss of control.

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business

combination not under common control.

(c) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the **Company** based on the financial statements of the **Company** and its subsidiaries and using other related information.

When preparing consolidated financial statements, the **Company** shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group:

- Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the **Company** with those of the **Company's** subsidiaries.
- Offset the carrying amount of the **Company's** long-term equity investment in the subsidiaries and the **Company's** share of owner's equity of the subsidiaries.
- Eliminate the impact of intragroup transactions between the **Company** and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.
- Make adjustments to special transactions from the perspective of the group.

(d) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

(d.1) Addition of subsidiaries or business

(d.1.1) Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(d.1.2) Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses, and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(d.2) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

(e.1) Long-term equity investment held by the subsidiaries to the **Company** shall be recognized as treasury stock of the **Company**, which is offset with the owner's equity, represented as "Treasury stock" under owner's equity in the statement of financial position.

Investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the **Company** to its subsidiaries as reference. That is, the long-term equity investment is eliminated with the share of the corresponding subsidiary's equity.

(e.2) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

(e.3) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.

(e.4) Unrealized intra-group transactions profit or loss generated from the **Company** selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the **Company** shall be eliminated with "net profit attributed to the owners of the parent company" and

"non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the **Company**. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "Non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the **Company**.

- (e.5) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(f) Accounting for special transactions

(f.1) Purchasing of non-controlling interests

Where, the **Company** purchases non-controlling interests of its subsidiary, in the individual financial statements of the **Company**, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration transferred. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the purchasing date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(f.2) Gaining control over the subsidiary in steps through multiple transactions

(f.2.1) Business combination under common control in steps through multiple transactions

At the combination date, preliminary cost of the long-term investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding percentage. The difference between the preliminary cost of the long-term investment and the carrying amount of the long-term investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve (capital premium or share premium) is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

In the consolidated financial statements, the assets and liabilities of the combined party acquired by the combining party in the merger, except for adjustments due to different accounting principles, they shall be measured pursuant to their carrying amount in the consolidated financial statements of the final control party on the date of consolidation; The sum of the book value of the investment held before merger plus the book value of the consideration paid by the merger on a daily basis, as for the difference between the book value of the net assets obtained in the merger, the capital reserve (capital premium

or share premium) shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related income or loss, other comprehensive income and other equity movement which have been recognized during the period from the later of the date of the **Company** obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

(f.2.2) Business combination not under common control in steps through multiple transactions

In individual financial statements, equity investment is always recognized as long-term investment in each transaction prior of the combination date, and the preliminary cost of the investment is determined according to the fair value of the consideration paid.

In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The **Company** shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(f.3) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the **Company** prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continually calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(f.4) Disposing investment in subsidiaries with controlling right lost

(f.4.1) Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the **Company** prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continually calculated from the acquisition date or combination date, shall

be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

(f.4.2) Disposal in steps

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without losing control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost.

If the terms, conditions, and economic impact of various transactions meet one or more of the following conditions, multiple transactions are usually accounted for as "a package deal":

- These transactions were concluded at the same time or taking into account the influence of each other;
- These transactions as a whole can achieve a complete commercial result;
- The occurrence of one transaction depends on the occurrence of at least one other transaction;
- A transaction is not economical when considered alone, but it is economical when considered together with other transactions.

(f.5) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital

premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the **Company** is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The **Company** shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- Its assets, including its share of any jointly held assets;
- Its liabilities, including its share of any jointly incurred liabilities;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The **Company** accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or other approximate exchange rate.

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on

the last balance sheet date is recognized as profit or loss of the reporting period.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the **Company**. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except "Retained earnings" shall be converted at the spot exchange rates on the occurrence date.
- The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.
- The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented separately as "Other comprehensive income" under the owners' equity of the consolidated statement of financial position.

In the event of disposal of an overseas operation and loss of control, the balance of translation in foreign currency statements related to the overseas operation as shown below in the owner's equity item of the balance sheet shall be transferred to the disposal of current profits and losses in whole or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognized in the statement of financial position when, and only when, the **Company** becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognized when meets one of the following conditions:

- The rights to the contractual cash flows from a financial asset expire
- The financial asset has been transferred and meets one of the following derecognition conditions:
 - Financial liabilities (or part thereof) are derecognized only when the liability is extinguished - i.e., when the obligation specified in the contract is discharged or

cancelled or expires. An exchange of the **Company** (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a conventional way shall be recognized and derecognized according to trading date. A conventional way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the marketplace concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(b) Classification and measurement of financial assets

At initial recognition, the **Company** classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortized cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognized in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

- Financial asset at amortized cost

The financial asset at amortized cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortized cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognized in current profit or loss.

- Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the

following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. All changes in fair value are recognized in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognized in current profit or loss. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The **Company** make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognized in other comprehensive income except for dividend income recognized in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

- Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortized cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(c) Classification and measurement of financial liabilities

The **Company** classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts liabilities and financial liabilities at amortized cost.

Subsequent measurement of financial liabilities will be based on the classification:

- Financial liabilities at fair value through profit or loss (FVTPL)

Held-for-trading financial liabilities (including derivatives of financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTPL. After initial recognition, any gain or loss (including interest expense) are recognized in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to retained earnings.

- Loan commitments and financial guarantee contracts liabilities

Loan commitment is a commitment by the **Company** to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognized based on expected credit losses model.

Financial guarantee contract is a contract that requires the **Company** to make specified

payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognized according to the impairment principles of financial instruments; and the amount initially recognized less the cumulative amount of income recognized in accordance with the revenue principles.

- **Financial liabilities at amortized cost**

After initial recognition, the **Company** measured other financial liabilities at amortized cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- If the **Company** has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- If a financial instrument must or may be settled in the **Company's** own equity instruments, it should be considered that the **Company's** own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the **Company's** own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

(d) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognized as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognized directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognized in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the **Company** shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the **Company** is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

The **Company** shall recognize a loss allowance based on expected credit losses on a financial asset that is measured at amortized cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

(e.1) Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the **Company** in accordance with the contract and all the cash flows that the **Company** expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the **Company** classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit impaired as at the end of the reporting

period is at stage 3. The **Company** shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The **Company** may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (i.e., impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortized cost after deducting of impairment loss.

For notes receivable, accounts receivable accounts receivable financing and contract assets, no matter it contains a significant financing component or not, the **Company** shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

(e.1.1) Receivables/Contract assets

For the notes receivable, accounts receivable, other receivables, accounts receivable financing contract assets and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the **Company** shall individually assess for impairment and recognize the loss allowance for expected credit losses. If the **Company** determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing contract assets and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Portfolio 1: Commercial acceptance bills

Portfolio 2: Bank acceptance bills

For each portfolio, the **Company** calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Portfolio 1: Receivables due from related party customers within the scope of consolidation of Jinkai Group.

Portfolio 2: Receivables due from other related party customers and government

customers.

Portfolio 3: A portfolio of underlying expected credit losses based on the aging sheet.

For each portfolio, the **Company** calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Portfolio 1: Interest receivable

Portfolio 2: Dividend receivable

Portfolio 3: Receivables due from related party customers within the scope of consolidation of Jinkai Group.

Portfolio 4: Receivables due from other related party customers and government customers.

Portfolio 5: A portfolio of underlying expected credit losses based on the aging sheet.

For each group, the **Company** calculates expected credit losses through default exposure and the 12-month or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable financing is as following:

Portfolio 1: Commercial acceptance bills

Portfolio 2: Bank acceptance bills

For accounts receivable financing, the **Company** calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

(e.1.2) Debt investments and other debt investments

For debt investment and other debt investment, the **Company** shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty, and the type of risk exposure.

(e.2) Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

(e.3) Significant increase in credit risk

The **Company** shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default

occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the **Company** shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the **Company** are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower;
An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise influence the probability of a default occurring;
- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behavior of the borrower;
- Contractual payments are more than 30 days (inclusive) past due.

Depending on the nature of the financial instruments, the **Company** shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the **Company** can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the **Company** shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The **Company** can only rebut this presumption if the **Company** has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

(e.4) Credit-impaired financial asset

The **Company** shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortized cost and debt investment at fair value through other comprehensive income. 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 include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(e.5) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the **Company** shall at each reporting date remeasure the expected credit loss and recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortized cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(e.6) Write-off

The **Company** shall directly reduce the gross carrying amount of a financial asset when the **Company** has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the **Company** determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognized in profit or loss as reversal of impairment loss.

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

(f.1) Derecognition of transferred assets

If the **Company** transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognized.

Whether the **Company** has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the **Company** has not retained control.

The **Company** judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognized in profit or loss:

- The carrying amount of transferred financial asset;
- The sum of consideration received, and the part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognized) and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognized in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part derecognized;
- The sum of the consideration received for the part derecognized and part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of *the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

(f.2) Continuing involvement in transferred assets

If the **Company** neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the **Company** shall continue to recognize the transferred asset to the extent of its continuing

involvement and also recognize an associated liability.

The extent of the **Company's** continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(f.3) Continue to recognize the transferred assets

If the **Company** retains substantially all the risks and rewards of ownership of the transferred financial asset, the **Company** shall continue to recognize the transferred asset in its entirety and the consideration received shall be recognized as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the **Company** shall continuously recognize any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

The **Company** currently has a legally enforceable right to set off the recognized amounts; The **Company** intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the **Company** shall not offset the transferred asset and the associated liability.

(h) Determination of fair value of financial instruments

Determination of financial assets and financial liabilities please refer to *Note 3.11 Measured at Fair Value*.

3.11 Measured at Fair Value

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The **Company** determines fair value of the related assets and liabilities 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 **Company** using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and

transportation costs.

Where there are financial assets or financial liabilities in an active market, the **Company** shall determine their fair value by quoting from the active market. If there is no active market for financial instruments, the **Company** shall use valuation technology to determine their fair value.

At fair value measurement of financial assets, the ability of a market participant to generate economic benefits by using the asset for the best use, or by selling the asset to another market participant who can use it for the best use, is taken into account.

- Valuation techniques

The **Company** uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The company measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the **Company** shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the **Company** will give priority to the relevant observable inputs and only when the relevant observable inputs cannot be obtained or impracticable to obtain the unobservable inputs can be used. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

- Fair value hierarchy

The **Company** divides the input value used for fair value measurement into three levels, first using the first level input value, secondly using the second level input value, and finally using the third level input value:

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;

3.12 Inventories

(a) Classification of inventories

Inventories are classified into finished products or commodities held for sale in operating activities, work in progress in producing process, and materials held for use

in producing process and service providing process, including raw material, low-value consumption goods, stock goods, land development costs, entrusted construction projects, etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average method.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the **Company**, the net realizable value of the excess portion of inventories shall be based on general selling prices.

Material inventory that needs to be processed, in the normal production and operation process, the net realizable value is determined by the estimated selling price of the finished product minus the estimated costs to be incurred upon completion, the estimated selling expenses and related taxes. If the net realizable value of the finished product produced by it is higher than the cost, the material is measured at cost; if the decline in the price of a material indicates that the net realizable value of the finished product is lower than the cost, the material is measured at the net realizable value, and the inventory depreciation reserve is made based on the difference.

At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

One-off writing off method is adopted in amortization of low-value consumables.

One-off writing off method is adopted in amortization of package items.

3.13 Contract Assets and Contract Liabilities

The **Company** shall present contract assets or contract liabilities in the statement of financial position, depending on the relationship between the **Company's** satisfying a performance obligation and the customer's payment. A contract asset shall be presented if the **Company** has the right to consideration in exchange for goods or services that the **Company** has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability shall be presented if the **Company** has the obligation to transfer goods or services to a customer for which the **Company** has received consideration (or the amount is due) from the customer.

Contract assets and contract liabilities shall be presented separately in the statement of financial position. The contract asset and contract liability for the same contract shall be presented on a net basis. A net balance shall be listed in the item of "Contract assets" or "Other non-current assets" according to its liquidity; a credit balance shall be listed in the item of "Contract liabilities" or "Other non-current liabilities" according to its liquidity. Contract assets and contract liabilities for different contracts cannot be offset.

3.14 Contract Costs

Contract costs include costs to fulfill a contract and the costs to obtain a contract.

The **Company** shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract, including: direct labor, direct materials, manufacturing costs (or similar costs), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because an entity entered into the contract;
- the costs enhance resources of the **Company** that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

The incremental costs of obtaining a contract shall be recognized as an asset if the **Company** expects to recover them.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with the revenue recognition of the goods or services to which the asset relates. The **Company** recognizes the contract acquisition costs as an expense when incurred if the amortization period of the asset that the **Company** otherwise would have recognized is one year or less.

The **Company** shall accrue the provision for impairment, recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset related to the contract cost exceeds the difference of below two items, and further consider whether the estimated liability related to the onerous contract needs to be accrued:

- the remaining amount of consideration that the **Company** expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

The **Company** shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

Providing that the costs to fulfil a contract satisfy the requirement to be recognized as an asset, the **Company** shall present them in the account "Inventories" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

Providing that the costs to obtain a contract satisfy the requirement to be recognized as an asset, the **Company** shall present them in the account "Other current assets" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

3.15 Non-current Assets (or Disposal Groups) as Held for Sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The **Company** classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- Its sale must be highly probable, i.e., the **Company** must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the **Company's** relevant authorities or regulatory authorities before they can be sold have already been approved.

When the **Company** acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The **Company** that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the **Company**, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of

the group, when the above criteria are met, regardless of whether the **Company** will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale. The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.16 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the **Company** have significant influence on the investee, the investee is an

associate of the **Company**.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those policies. In determination of significant influence over an investee, the **Company** should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the **Company** and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

When the **Company** directly or indirectly owns more than 20.00% (including 20.00%) but less than 50.00% of the voting equity of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(b.1) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the **Company** makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the **Company** issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated

financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognized as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For business combination not under common control, the assets paid, liabilities incurred or assumed, and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business combination and recognized as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognized in profit or loss as incurred.

(b.2) Long-term equity investments acquired by other means

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained. and the difference between the initial investment cost and the book value of the creditor's rights is included in the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the **Company** has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(c.1) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The **Company** recognizes its share of cash dividends or profits which have

been declared to distribute by the investee as current investment income.

(c.2) Equity method

Generally, for long term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The **Company** recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment profit or losses and other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends Declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The **Company** recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the **Company**, the financial statements of the investee shall be adjusted according to the **Company's** accounting policies and accounting period, based on which, investment profit or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from intra-group transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment profit or losses shall be recognized. Any losses resulting from intra-group transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

If, for reasons such as additional investment, it can exert significant influence on the investee or implement joint control but does not constitute control, the initial investment cost calculated according to the equity investment originally held plus the sum of the additional investment cost shall be taken as the original investment cost calculated according to the equity method. If the equity investment previously held is classified as a financial asset available for sale, the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred to the current profit and loss calculated according to the equity method.

If the joint control or significant influence on the invested entity is lost due to the

disposal of part of the equity investment, the remaining equity after the disposal shall be measured at the fair value, and the difference between the fair value and book value on the day of the loss of joint control or significant influence shall be recorded into the current profit or loss. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

(d) Equity investment classified as held for sale

For an equity investment, or a portion of an equity investment, in an associate or a joint venture is classified as held for sale, stop using equity method to account, and relevant accounting treatment please refer to *Note 3.15 Non-current Assets (or Disposal Groups) as Held for Sale*.

Any retained interest in the equity investment not classified as held for sale, shall be accounted for using equity method until it is sold.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

(e) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or joint ventures, provision for impairment loss please refer to *Note 3.22 Impairment of Long-term Assets*.

3.17 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- Land use right leased out;
- Land held for transfer upon appreciation;
- Buildings leased out.

(b) The measurement model of investment property

The **Company** adopts the fair value model for subsequent measurement of investment properties.

The company's investment property is located in active real estate market, and the **Company** can obtain the same or similar market price from the real estate market and other related information, so that they can make a reasonable estimate of the fair value of the investment property, so the **Company** using fair value model for subsequent measurement for the investment property, changes in fair value are recorded into current profits and losses.

When determining the fair value of an investment property, reference shall be made to

the current market price of the same or similar property in the active market; If it is impossible to obtain the current market price of the same or similar property, it shall make a reasonable estimate of the fair value of the investment property by referring to the recent transaction price of the same or similar real estate in the active market and taking into account such factors as the transaction situation, transaction date and location; Or determine its fair value based on the expected future rental income and the present value of the relevant cash flows.

3.18 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- it is probable that the future economic benefits relating to the property, plant and equipment will flow into the **Company**;
- the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the **Company** shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories	Depreciation method	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	Straight-line method	20 to 35	0.00 to 5.00	5.00 to 2.71
Machinery equipment	Straight-line method	5 to 10	0.00 to 5.00	20.00 to 9.50
Office and electronic equipment	Straight-line method	3 to 5	0.00 to 5.00	33.33 to 19.00
Vehicles	Straight-line method	4 to 10	0.00 to 5.00	25.00 to 9.50

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the **Company** shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

3.19 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the **Company** when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.20 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization period

The borrowing costs incurred by the **Company** that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- Expenditures on assets are being incurred;
- borrowing costs are being incurred;
- acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed, or produced become ready for their intended use or sale. The expenditure

incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction, or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction, or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.21 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

(b.1) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use right	50	Legal right to use
Software	5	The service life is determined by reference to the period for the Company to bring economic benefits.

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(b.2) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The **Company** reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(b.3) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the **Company**. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the **Company**, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The **Company** reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

(c.1) The **Company** shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.

(c.2) The development activities that are carried out after the **Company** has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the **Company** can satisfy all of the following criteria:

- there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- there is intention to complete and use or sell the assets;
- the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- adequate technical, financial, and other resources are available to complete the assets, and the **Company** has the ability to use or sell the assets; and
- the costs of the assets can be measured reliably.

3.22 Impairment of Long-term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, property, plant and equipment, constructions in progress, productive biological assets using cost model, intangible assets, goodwill, exploration of oil and gas mining interests, wells and related facilities and so on (excluding inventories, investment properties using fair value method, deferred tax assets, financial assets), shall be determined according to following method:

The **Company** shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the **Company** shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the **Company** shall test for impairment of goodwill acquired in a business combination, intangible assets with an

indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The **Company** estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the **Company** estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of assets is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognized accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, good will shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the **Company**.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and the recoverable amount shall be then calculated, and the impairment loss shall be recognized accordingly. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the **Company** shall recognize the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

3.23 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

Long-term deferred expenses are evenly amortized over the beneficial period.

3.24 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(a) Short-term employee benefits

(a.1) Monetary benefits (Salaries, bonuses, allowances, subsidies)

The **Company** recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(a.2) Employee benefits

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(a.3) Social insurance such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the **Company** of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

(a.4) Short-term paid absences

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The **company** shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

(a.5) Short-term profit-sharing schemes

The **Company** shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- the **Company** has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(b.1) Defined contribution plans

The **Company** shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(b.2) Defined benefit plans

(b.2.1) Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The **Company** will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

(b.2.2) Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

(b.2.3) Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

(b.2.4) Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- Actuarial gains or losses: the increase or decrease in the present value of the

previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.

- Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The **Company** providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- when the **Company** cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- when the **Company** recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the **Company** to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the **Company** to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- Service costs;
- Net interest on the other long-term employee benefits liability (asset);
- Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the current profit and loss or the cost of related assets.

3.25 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The **Company** recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- that obligation is a present obligation of the **Company**;
- it is likely to cause any economic benefit to flow out of the **Company** as a result of performance of the obligation; and
- the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the **Company** are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The **Company**, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties, and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidence indicates that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.26 Other Financial Instrument Such as Preference Share and Perpetual Bonds

(a) Classification criteria of other financial instruments such as preference share and perpetual bonds

Other financial instruments such as preference share and perpetual bonds issued by the **Company** shall be classified into financial liabilities or equity instruments based on the judgment of specific contents of the relevant contracts or agreements in accordance with the principle of substance over form. If other financial instruments such as preference share and perpetual bonds issued by the **Company**, of which do not include the delivery of cash or other financial assets to other parties or the contractual obligations of exchanging financial assets or financial liabilities with other parties under other potential adverse conditions, they shall be classified as equity instruments.

(b) Accounting for other financial instruments such as preference share and perpetual bonds

The **Company** shall determine the accounting treatment of interest expense or dividend distribution of the financial instruments based on their category. For financial instruments classified as equity instruments, no matter whether the name contains the word of "debt", the interest expense or dividend distribution shall be treated as the profit distribution of the **Company** (the issuing company), with the repurchase or cancellation shall be treated as the changes in equity; For financial instruments classified as financial liabilities, no matter whether the name contains the word of "share", in principle, the interest expense or dividend distribution shall be treated as the borrowing cost, with any gain or loss on the repurchase or cancellation shall be recognized in current profit or loss.

3.27 Revenue

(a) General Principle

Revenue is defined as the gross inflow of economic benefits arising in the course of the ordinary activities of the **Company** when those inflows result in the increases in shareholders' equity, other than increases relating to contributions from shareholders.

The **Company** shall recognize revenue when it satisfies a performance obligation in the contract as the customer obtains control of a good or service. Control of a good or service refers to the ability to direct the use of and obtain substantially all of the remaining economic benefits from, the good or service.

When the contract has two or more obligation performances, the **Company** shall allocate the transaction price to each performance obligation in proportion to a relative stand-alone selling price at contract inception of the promised good or service underlying each performance obligation in the contract and recognize revenue based on the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the **Company** expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price of the contract, if the contract includes a variable consideration, the **Company** shall determine the best estimate of the variable consideration based on the expected value or the most likely amount and include in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the **Company** shall determine the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the promised consideration shall be amortized using the effective interest method within the contract period. The **Company** need not consider the effects of a significant financing component if the period between when the **Company** transfers control of a good or service to a customer and when the customer pays for that good or service will be one year or less.

The **Company** satisfies a performance obligation over time, if one of the following criteria is met; otherwise a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the **Company's** performance as the **Company** performs;
- the **Company's** performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the **Company's** performance does not create an asset with an alternative use to the **Company** and the **Company** has an enforceable right to payment for performance

completed to date.

For each performance obligation satisfied over time, the **Company** shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless those progress cannot be reasonably measured. The **Company** measures the progress of a performance obligation for the service rendered using input methods (or output methods). In some circumstances, the **Company** cannot be able to reasonably measure the progress of a performance obligation, but the **Company** expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the **Company** shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

The **Company** shall recognize revenue at the point in which a customer obtains control of a promised good or service if a performance obligation is satisfied at a point in time. To determine the point in time at which a customer obtains control of a promised good or service, the **Company** shall consider indicators of the transfer of control, which include, but are not limited to, the followings:

- The **Company** has a present right to payment for the good or service – a customer is presently obliged to pay for the good or service;
- The **Company** has transferred legal title of an asset to a customer - the customer has legal title to the asset;
- The **Company** has transferred physical possession of an asset to a customer - the customer has physical possession of the asset;
- The **Company** has transferred the significant risks and rewards of ownership of the asset to a customer - the customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

(a.1) Sales return clause

For sales return clause, when the customer obtains the control of a product, the **Company** shall recognize revenue for the transferred products in the amount of consideration to which the **Company** expects to be entitled and a refund liability at the amounts receivable for which the **Company** does not expect to be entitled; meanwhile, an asset shall be recognized as receivables on the cost of return measured at the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value to the entity of returned products), and the net amount of the former carrying amount of the product when transferred to the customer less above mentioned cost shall be recorded into the cost of sales. At the end of each reporting period, the **Company** shall re-assess the expectations about the sales return and remeasure above mentioned assets and liabilities.

(a.2) Warranties

In accordance with the contract, the law or other requirements, the **Company** provides

a warranty in connection with the sale of a product or construction of a project. For warranties which provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications, the **Company** shall treat it in accordance with " *Accounting Standards for Business Enterprise No.13 - Contingencies*". If a warranty, or a part of a warranty, provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the **Company** shall treat it as a performance obligation, and allocate the transaction price to the warranty based on the relative proportion to the stand-alone selling price of the product and the service, and recognize revenue when the customer obtains the control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the **Company** shall consider factors such as: whether the warranty is required by law; the length of the warranty coverage period and the nature of the tasks that the **Company** promises to perform.

(a.3) Principal versus agent

If the **Company** obtains the control of the specified good or service from another party and then transfers the good or service to the customer, the **Company** has the right to determine the transaction price, which means that the **Company** controls the specified good or service before it is transferred to a customer, and is therefore a principal, and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Otherwise, the **Company** is an agent, and shall recognize revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by another party. The fee or commission might be the net amount of received or receivable consideration that the **Company** retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party or determined based on the specified commission amount or proportion.

(a.4) Consideration payable to a customer

The **Company** shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the **Company**. The reduction of revenue shall be recognized when (or as) the later of either of the following events occurs: the **Company** recognizes revenue for the transfer of the related goods or services to the customer; and the **Company** pays or promises to pay the consideration.

(a.5) Customers' unexercised rights

Upon receipt of a prepayment for a good or service from a customer, the **Company** shall recognize a contract liability in the amount of the prepayment and recognize revenue when it satisfies its performance obligation. If the prepayment to the **Company** is non-refundable and the customer may not exercise part or all of its contractual rights,

and the **Company** expects to be entitled to a breakage amount related to those unexercised rights of the customer, the **Company** shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer; otherwise, the **Company** shall recognize the remaining balance of above mentioned liability as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

(a.6) Contract modifications

When the construction contract modifications exist between the **Company** and the customer:

- The **Company** shall account for a contract modification as a separate contract if the modification results in the addition of promised construction services that are distinct and increase of the price of the contract, and the price of the contract increases by an amount of consideration that reflects the **Company's** stand-alone selling prices of the additional promised construction services;
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services are distinct from the construction services transferred on or before the date of the contract modification, the **Company** shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract with the combination of the remaining performance obligations of the existing contract and the contract modification.
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services cannot be distinct from the construction services transferred on or before the date of the contract modification, the **Company** shall account for the contract modification as if it were a part of the existing contract and the effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue at the date of the contract modification.

(b) Specific Method

Revenue recognition methods of the **Company** are as follows:

(b.1) Revenue from land consolidation and development

In accordance with the contract signed between the **Company** and the entrusting party, after the land expropriation and relocation has been completed, the land has met the reserve conditions and has been handed over, the **Company** has the right to collect the settlement payment from the entrusting party according to the contract. And revenue shall be recognized revenue in accordance with the quantity of the land to be transferred and the amount agreed in the settlement statement of the progress of the land to be transferred.

(b.2) Revenue from entrusted construction projects

In accordance with the contract signed between the **Company** and the entrusting party, the **Company** has the right to collect the settlement payment from the entrusting party according to the contract and recognize revenue.

(b.3) Revenue from real estate sales

The **Company's** revenue from real estate sales shall be recognized when the control right has been transferred from the property company to the customer. Revenue shall be recognized when the customer has obtained the physical possession of the property or the legal title of the completed property, and the **Company** has obtained a present right to payment, and it is probable to recover the consideration. When determining the transaction price of the contract, if the contract contains a significant financing component, the **Company** shall adjust the contractual commitment consideration according to the financing component of the contract.

(b.4) Revenue from goods trade

After the performance of the contract obligations of the products sold between the **Company** and the customer is fulfilled, the customer obtains control of a promised good at the point in which the good is delivered, and the **Company** shall recognize revenue from the performance obligation. Such a situation satisfies a performance obligation at a point in time.

Product revenue recognition shall meet the following conditions: after the delivery of goods sold, the **Company** obtains the product acceptance receipt from the customer, and the **Company** shall recognize revenue when issuing sales invoice.

3.28 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- the **Company** will comply with the conditions attaching to them; and
- the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value CNY1.00 when reliable fair value is not available.

(c) Accounting for government grants

(c.1) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the **Company** used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are

sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(c.2) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss (or write down related expenses) in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss (or write down related expenses) of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income (or write down related expenses).

(c.3) Discount interest on preferential policy loans

Fiscal interest discount funds disbursed directly to the **Company**, the **Company** offsets the relevant borrowing costs with the corresponding discount interest.

(c.4) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.29 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The **Company** recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the

extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset 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 accounting profit nor taxable profit (tax loss)

The **Company** recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the **Company** recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- The **Company** is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(c.1) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(c.2) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

(c.3) Unused tax losses and unused tax credits

(c.3.1) Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The **Company** recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the **Company**. Income taxes in current profit or loss shall be deducted as well.

(c.3.2) Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or

loss.

(c.4) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(c.5) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the **Company**, during the period in which a remuneration expense is recognized according to the accounting standards, the **Company** estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.30 Leases

(a) Identifying a lease

At inception of a contract, the **Company** shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the **Company** shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

(b) Identifying a separate lease component

When a contract includes more than one separate lease components, the **Company** shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied: (i) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; (ii) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(c) The Company as a lessee

At the commencement date, the **Company** identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new,

the asset is typically of low value. If the **Company** subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

All the short-term leases or leases for which the underlying asset is of low value, the **Company** shall recognize the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line basis.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the **Company** shall recognize a right-of-use asset and a lease liability.

(c.1) Right-of-use asset

A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

At the commencement date, the **Company** shall initially measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The **Company** recognizes and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to *Note 3.25 Estimated Liabilities*. Those costs incurred to produce inventories shall be included in the cost of inventories.

The right-of-use asset shall be depreciated according to the categories using straight-line method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be determined based on the classification of the right-of-use asset and estimated residual value rate from the commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(c.2) Lease liability

At the commencement date, the lease liability shall be measured at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following 5 items:

- fixed payments and in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

In order to calculate the present value of the lease payments, interest rate implicit in the lease shall be used as the discount rate. If that rate cannot be readily determined, the **Company** shall use the incremental borrowing rate. The difference between the lease payments and its present value shall be recognized as unrecognized financing charges, calculated bases on the discount rate of the present value of the lease payments in each period within the lease term and recorded as interest expense in current profit or loss. Variable lease payments not included in the measurement of lease liabilities shall be recognized in current profit or loss when incurred.

After the commencement date, the **Company** shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

(d) The Company as a lessor

At the commencement date, the **Company** shall classify a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise it shall be classified as an operating lease.

(d.1) Operating leases

The **Company** shall recognize lease payments from operating leases as income on a straight-line basis over the term of the relevant lease and the initial direct costs incurred in obtaining an operating lease shall be capitalized and recognized as an expense over the lease term on the same basis as the lease income. The **Company** shall recognize the variable lease payments relating to the operating lease but not included in the measurement of the lease receivables into current profit or loss when incurred.

(d.2) Finance leases

At the commencement date, the **Company** shall recognize the lease receivables at an amount equal to the net investment in the lease (the sum of the present value of the unguaranteed residual values and the lease payment that are not received at the commencement date discounted at the interest rate implicit in the lease) and derecognize the asset relating to the finance lease. The **Company** shall recognize interest income using the interest rate implicit in the lease over the lease term.

The **Company** shall recognize the variable lease payments relating to the finance lease but not included in the measurement of the net investment in the lease into current profit

or loss when incurred.

(e) Lease modifications

(e.1) A lease modification accounted for as a separate lease

The **Company** shall account for a modification to a lease as a separate lease, if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

(e.2) A lease modification not accounted for as a separate lease

(e.2.1) The **Company** as a lessee

At the effective date of the lease modification, the **Company** shall redetermine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The **Company** shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The **Company** shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

(e.2.2) The **Company** as a lessor

The **Company** shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For a modification to a finance lease that is not accounted for as a separate lease, the **Company** shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the **Company** shall account for the lease modification as a new lease from the effective date of the modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the **Company** shall account for the lease modification according to the requirements in the modification or renegotiation of the contract.

(f) Sale and leaseback

The **Company** shall determine whether the transfer of an asset under the sale and leaseback transaction is a sale of that asset in accordance with the regulations on termination of operation according to *Note 3.27 Revenue*.

(f.1) The Company as a seller (lessee)

If the transfer of the asset is not a sale, the **Company** shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the **Company** shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the **Company**. Accordingly, the **Company** shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(f.2) The Company as a buyer (lessor)

If the transfer of the asset is not a sale, the **Company** shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the **Company** shall account for the purchase of the asset applying applicable Accounting Standards of Business Enterprises, and for the lease applying the lessor accounting requirements.

3.31 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

The **Company** has no change in accounting policies during the reporting period.

(b) Changes in accounting estimates

The **Company** has no change in accounting estimates during the reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	Sales of goods or provision of taxable services	3.00%, 5.00%, 6.00%, 9.00%, 13.00%
Urban maintenance and construction tax	Turnover taxes payable	7.00%
Educational surcharge	Turnover taxes payable	5.00%
Urban land usage tax	Calculated and levied according to land area	CNY4.00/m ²
Property tax	Calculated and levied according to rental; Calculated and levied according to price	12.00%, 1.20%
Enterprise income tax	Enterprise income taxes are paid on taxable profits.	25.00%

4.2 Tax Preference

On 18 January 2019, the *Announcement on Issues Related to the Implementation of the Preferential Income Tax Reduction and Exemption Policy for Small and Low-profit Enterprises* was issued by the State Administration of Taxation, and there are new provisions on the preferential income tax reduction policy for small and low-profit enterprises. The details are as follows: from 1 January 2019 to 30 June 2022, for the part of annual taxable income of small and low-profit enterprises not exceeding CNY1.00 million, the taxable income shall be reduced to 25.00% and enterprise income tax is paid at 20.00% tax rate; for the part of annual taxable income of small and low-profit enterprises exceeding CNY1.00 million but not exceeding CNY3.00 million, the taxable income shall be reduced to 50.00% and enterprise income tax is paid at 20.00% tax rate.

On 31 March 2021, the *Announcement of the State Administration of Taxation of the Ministry of Finance on Clarifying the Policy of Exempting Small-scale VAT Taxpayers from VAT (No.11, Year 2021)* was issued by the Ministry of Finance of the PRC and the State Taxation Administration of the PRC. From 1 April 2021 to 31 December 2022, the small-scale VAT taxpayers with monthly sales of less than CNY150,000.00 (including this amount) shall be exempted from VAT.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	30 Jun. 2022	31 Dec. 2021
Cash on hand	-	14,166.81
Cash in bank	4,955,860,580.36	3,926,897,598.25
Other monetary funds	201,368,869.08	286,914,256.73
Total	5,157,229,449.44	4,213,826,021.79
Including: The total amount deposited overseas	339,844,219.16	352,514,316.88

5.2 Held-for-trading Financial Assets

Items	30 Jun. 2022	31 Dec. 2021
Financial assets designated as at fair value through profit or loss:	205,774,520.55	135,774,520.55
Including: Convertible bond	205,774,520.55	135,774,520.55
Total	205,774,520.55	135,774,520.55

5.3 Notes Receivable

Items	30 Jun. 2022	31 Dec. 2021
Bank acceptance bills	30,000,000.00	-
Commercial acceptance bills	-	-
Total	30,000,000.00	-

5.4 Accounts Receivable

(a) Accounts receivable by aging

Aging	30 Jun. 2022	31 Dec. 2021
Within 1 year (including 1 year)	735,770,987.87	846,988,151.76
1 to 2 years	322,251,665.84	825,964,853.50
2 to 3 years	360,155,335.76	45,000.00
Over 3 years	80,935.74	35,935.74
Subtotal	1,418,258,925.21	1,673,033,941.00
Less: Provision for bad debt	8,416,768.23	8,746,329.34
Total	1,409,842,156.98	1,664,287,611.66

(b) Accounts receivable by bad debt provision method

(b.1) 30 June 2022 (according to simplified model)

Items	30 Jun. 2022				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debt recognized individually	-	-	-	-	-
Accounts receivable with bad debt provision recognized collectively by portfolio	1,418,258,925.21	100.00	8,416,768.23	0.59	1,409,842,156.98
Portfolio 1: Receivables due from other related party customers and government customers	1,395,487,146.07	98.39	6,977,435.78	0.50	1,388,509,710.29
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	22,771,779.14	1.61	1,439,332.45	6.32	21,332,446.69
Total	1,418,258,925.21	100.00	8,416,768.23	0.59	1,409,842,156.98

(b.1.1) As at 30 June 2022, accounts receivable with provision for bad debt recognized individually:

There is no such item.

(b.1.2) As at 30 June 2022, in Portfolio 1, accounts receivable due from other related party customers and government customers:

Entity name	30 Jun. 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Huzhou Xincheng Public Engineering Co., Ltd.	923,035,764.22	4,615,178.83	0.50

Entity name	30 Jun. 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Huzhou Nantaihu New District Administrative Committee	365,000,000.00	1,825,000.00	0.50
Huzhou Nantaihu New District Urban Construction Development Centre	106,592,393.00	532,961.97	0.50
Others	858,988.85	4,294.98	0.50
Total	1,395,487,146.07	6,977,435.78	0.50

(b.1.3) As at 30 June 2022, in Portfolio 2, accounts receivable with bad debt provision recognized collectively by the portfolio of underlying expected credit losses based on the aging sheet:

Aging	30 Jun. 2022		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	18,524,424.02	926,221.20	5.00
1 to 2 years	4,011,083.62	401,108.36	10.00
2 to 3 years	155,335.76	31,067.15	20.00
Over 3 years	80,935.74	80,935.74	100.00
Total	22,771,779.14	1,439,332.45	6.32

(b.2) Balance at 31 December 2021 (according to simplified model)

Items	31 Dec. 2021				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by portfolio	1,673,033,941.00	100.00	8,746,329.34	0.52	1,664,287,611.66
Portfolio 1: Receivables due from other related party customers and government customers	1,665,533,855.30	99.55	8,327,669.27	0.50	1,657,206,186.03
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	7,500,085.70	0.45	418,660.07	5.58	7,081,425.63
Total	1,673,033,941.00	100.00	8,746,329.34	0.52	1,664,287,611.66

(b.2.1) As at 31 December 2021, accounts receivable with individually significant balance and recognized provision for bad debt individually:

There is no such item.

(b.2.2) As at 31 December 2021, in Portfolio 1, the details of accounts receivable are as follows:

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Huzhou Xincheng Public Engineering Co., Ltd.	1,303,959,986.60	6,519,799.93	0.50
Huzhou Nantaihu New District Administrative Committee	360,993,674.00	1,804,968.37	0.50
Others	580,194.70	2,900.97	0.50
Total	1,665,533,855.30	8,327,669.27	0.50

(b.2.3) As at 31 December 2021, in Portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	7,363,814.25	368,190.73	5.00
1 to 2 years	55,335.76	5,533.58	10.00
2 to 3 years	45,000.00	9,000.00	20.00
Over 3 years	35,935.74	35,935.74	100.00
Total	7,500,085.75	418,660.05	5.58

(c) Provision, recovery or reversal of bad debt

Items	31 Dec. 2021	Changes during the reporting period			30 Jun. 2022
		Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt	8,746,329.34	-329,561.11			8,416,768.23
Total	8,746,329.34	-329,561.11			8,416,768.23

(d) Accounts receivable written-off during the reporting period:

There is no such item.

(e) Large closing balances by entity

Entity name	30 Jun. 2022		
	Amount	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Xincheng Public Engineering Co., Ltd.	923,035,764.22	65.08	4,615,178.83

Entity name	30 Jun. 2022		
	Amount	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Nantaihu New District Administrative Committee	365,000,000.00	25.74	1,825,000.00
Huzhou Nantaihu New District Urban Construction Development Centre	106,592,393.00	7.52	532,961.97
Total	1,394,628,157.22	98.34	6,973,140.80

(f) Accounts receivable derecognized due to transfer of financial assets:

There is no such item.

(g) Assets or liabilities formed due to accounts receivable transferred but still involved:

There is no such item.

5.5 Prepayments

Aging	30 Jun. 2022		31 Dec. 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	67,247,435.84	9.78	621,451,692.26	100.00
1 to 2 years	620,573,349.49	90.22	1,575.32	
2 to 3 years				
Over 3 years				
Total	687,820,785.33	100.00	621,453,267.58	100.00

5.6 Other Receivables

(a) Other receivables by category

Items	30 Jun. 2022	31 Dec. 2021
Interest receivable	-	-
Dividend receivable	-	-
Other receivables	12,333,143,605.95	11,825,205,475.41
Total	12,333,143,605.95	11,825,205,475.41

(b) Dividend receivable

There is no such item.

(c) Other receivables

(c.1) Other receivables by aging

Aging	30 Jun. 2022	31 Dec. 2021
Within 1 year (including 1 year)	3,923,387,784.31	4,818,999,253.01
1 to 2 years	3,940,016,551.81	3,164,032,992.14
2 to 3 years	924,147,688.34	902,529,242.31

Aging	30 Jun. 2022	31 Dec. 2021
Over 3 years	3,662,514,576.43	3,028,284,256.52
Subtotal	12,450,066,600.89	11,913,845,743.98
Less: Provision for bad debt	116,922,994.94	88,640,268.57
Total	12,333,143,605.95	11,825,205,475.41

(c.2) Other receivables by bad debt provision method

(c.2.1) As at 30 June 2022, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	12,439,072,954.39	105,929,348.44	12,333,143,605.95
Stage 2	-	-	-
Stage 3	10,993,646.50	10,993,646.50	-
Total	12,450,066,600.89	116,922,994.94	12,333,143,605.95

(c.2.1.1) As at 30 June 2022, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	12,439,072,954.39	0.85	105,929,348.44	12,333,143,605.95
Portfolio 1: Receivables due from other related party customers and government customers	12,024,188,446.22	0.55	65,596,955.06	11,958,591,491.16
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	414,884,508.17	9.72	40,332,393.38	374,552,114.79
Total	12,439,072,954.39	0.85	105,929,348.44	12,333,143,605.95

(c.2.1.2) As at 30 June 2022, provision for bad debt at stage 2:

There is no such item.

(c.2.1.3) As at 30 June 2022, provision for bad debt at stage 3:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually	10,993,646.50	100.00	10,993,646.50	
Other receivables with bad debt provision recognized collectively by portfolio				

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Portfolio 1: Receivables due from other related party customers and government customers				
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet				
Total	10,993,646.50	100.00	10,993,646.50	

(c.2.1.3.1) As at 30 June 2022, other receivables with provision for bad debt recognized individually

Entity name	30 Jun. 2022			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Huzhou Gongke Construction Co., Ltd.	10,993,646.50	10,993,646.50	100.00	Cannot be recovered
Total	10,993,646.50	10,993,646.50	100.00	

(c.2.1.3.2) The basis for the amount of bad debt provision recognized in the current period: The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.10 Financial Instruments*.

(c.2.2) As at 31 December 2021, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	11,902,852,097.48	77,646,622.07	11,825,205,475.41
Stage 2	-	-	-
Stage 3	10,993,646.50	10,993,646.50	-
Total	11,913,845,743.98	88,640,268.57	11,825,205,475.41

(c.2.2.1) As at 31 December 2021, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	11,902,852,097.48	0.65	77,646,622.07	11,825,205,475.41
Portfolio 1: Receivables due from other related party customers and government customers	11,771,950,951.76	0.50	58,859,754.75	11,713,091,197.01

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	130,901,145.72	14.35	18,786,867.32	112,114,278.40
Total	11,902,852,097.48	0.65	77,646,622.07	11,825,205,475.41

(c.2.2.2) As at 31 December 2021, provision for bad debt at stage 2:

There is no such item.

(c.2.2.3) As at 31 December 2021, provision for bad debt at stage 3:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually	10,993,646.50	100.00	10,993,646.50	
Other receivables with bad debt provision recognized collectively by portfolio				
Portfolio 1: Receivables due from other related party customers and government customers				
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet				
Total	10,993,646.50	100.00	10,993,646.50	

(c.2.2.3.1) As at 31 December 2021, other receivables with provision for bad debt recognized individually

Entity name	31 Dec. 2021			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Huzhou Gongke Construction Co., Ltd.	10,993,646.50	10,993,646.50	100.00	Cannot be recovered
Total	10,993,646.50	10,993,646.50	100.00	

(c.3) Provision, recovery or reversal of bad debt

Items	31 Dec. 2021	Changes during the reporting period			30 Jun. 2022
		Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt recognized individually	10,993,646.50				10,993,646.50
Provision for bad debt recognized by portfolio	77,646,622.07	28,282,726.37			105,929,348.44
Total	88,640,268.57	28,282,726.37			116,922,994.94

(c.4) Other receivables written-off during the reporting period:

There is no such item.

(c.5) Top five closing balances by entity

Entity name	30 Jun. 2022		
	Amount	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Xinyuan Development and Construction Co., Ltd.	4,533,888,406.07	34.65	22,669,442.02
Huzhou Xincheng Public Engineering Co., Ltd.	4,087,190,835.94	18.89	20,435,954.18
Huzhou Nantaihu New District Administrative Committee	2,606,416,470.17	20.93	13,032,082.35
Huzhou Fuyuan Construction Co., Ltd.	874,444,622.36	7.02	9,024,863.12
People's Government of Huzhou City Kang Shan Sub-district Office	548,900,000.00	4.41	2,744,500.00
Total	10,550,840,334.54	85.91	67,906,841.67

(c.6) Other receivables relating to government grants:

There is no such item.

(c.7) Derecognition of other receivables for transfer of financial assets:

There is no such item.

(c.8) Assets or liabilities formed due to other receivables transferred but still involved:

There is no such item.

5.7 Inventories

(a) Inventories by category

Items	30 Jun. 2022			31 Dec. 2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,683,296.49	-	3,683,296.49	54,636.18	-	54,636.18
Low-value consumables	38,946.28	-	38,946.28	28,760.10	-	28,760.10
Finished goods	910,414.07	-	910,414.07	885,541.31	-	885,541.31
Development costs	1,667,193,733.50	-	1,667,193,733.50	1,644,045,617.24	-	1,644,045,617.24
Development products	119,270,452.96	-	119,270,452.96	119,270,452.96	-	119,270,452.96
Costs to fulfill a contract	41,219,462,346.85	-	41,219,462,346.85	39,908,949,073.05	-	39,908,949,073.05
Total	43,010,559,190.15	-	43,010,559,190.15	41,673,234,080.84	-	41,673,234,080.84

(b) Provision for impairment

There is no such item.

5.8 Other Current Assets

Items	30 Jun. 2022	31 Dec. 2021
Finance products	120,000,000.00	
Prepaid tax	21,566.18	9,363.69
Reclassification from debit side balance of VAT payable	68,721,108.92	49,673,860.55
Total	188,742,675.10	49,683,224.24

5.9 Debt Investments

(a) General information of debt investments

Items	30 Jun. 2022			31 Dec. 2021		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Huzhou Xincheng Industry and Trade Co., Ltd.	800,000.00	800,000.00	-	-	-	-
Subtotal	800,000.00	800,000.00	-	-	-	-
Less: Debt investments maturing within one year	-	-	-	-	-	-
Total	800,000.00	800,000.00	-	-	-	-

Note: According to the "Enterprise Contractual Management Responsibility" signed between the **Company** and natural person Faqing Guan, the **Company** delivered the right of management of Huzhou Xincheng Industry and Trade Co., Ltd. to Faqing Guan by contract. Therefore, there was no control, joint control or significant influence on Huzhou Xincheng Industry and Trade Co., Ltd. At the same time, due to the continuous loss and negative net assets of Huzhou Xincheng Industry and Trade Co., Ltd., full provision for impairment loss of assets was recognized.

(b) Significant debt investments at the end of the period

There is no such item.

5.10 Long-term Receivables

(a) General information of long-term receivables

Items	30 Jun. 2022			31 Dec. 2021		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Others	156,681,488.84		156,681,488.84	156,681,488.84		156,681,488.84
Subtotal	156,681,488.84		156,681,488.84	156,681,488.84		156,681,488.84
Less: Long-term receivables maturing within one year						
Total	156,681,488.84		156,681,488.84	156,681,488.84		156,681,488.84

5.11 Long-term Equity Investments

Investees	31 Dec. 2021	Changes during the reporting period			
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income
Associates:					
Huzhou Nantaihu Construction Investment Management Co., Ltd.	390,317,358.27	-	-	-	-
Zhejiang Haigang Huzhou Port Co., Ltd.	3,004,373.35	-	-	-	-
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	18,281,900.00	-	-	-	-
Baishan Huicheng Park Development and Construction Co., Ltd.	30,000,630.11	-	-	-	-
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.	10,227,362.00	-	-	-	-
Huzhou Shanggang International Port Co., Ltd.	98,363,547.48	-	-	-	-
Huzhou High Core Integrated Circuit Co., Ltd.	23,700,000.00	-	-	-	-
Huzhou Chanjing Industrial Development Co., Ltd.	979,772,824.81		-	-	-
Zhejiang Xin Future Talent Development Co., Ltd.	1,256,688.67		-	-	-
Railway Construction City Development (Huzhou) Development Construction Co., Ltd.	25,004,472.48	-	-	-	-
Huzhou Chengxi Zhenxing Rural Construction	500,012.15	83,750,000.00	-	-	-

Investees	31 Dec. 2021	Changes during the reporting period			
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income
Development Co., Ltd.					
Huzhou Jingcheng Real Estate Co., Ltd.	1,006.14	-	-	-1,006.14	-
Honeycomb Energy Technology (Huzhou) Co., Ltd.	-	200,000,000.00	-	-	-
Zongmu Technology (Shanghai) Co., Ltd.	-	50,000,000.00	-	-	-
Huzhou Jingshi Industrial Development Co., Ltd.		4,800,000.00			
Huzhou Feiying Financial Leasing Co., Ltd.		114,800,000.00			
Total	1,580,430,175.46	453,350,000.00	-	-1,006.14	-

(Continued)

Investees	Changes during the reporting period				30 Jun. 2022	Provision for impairment at 30 Jun. 2022
	Changes in other equity	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates:						
Huzhou Nantaihu Construction Investment Management Co., Ltd.					390,317,358.27	
Zhejiang Haigang Huzhou Port Co., Ltd.					3,004,373.35	
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.					18,281,900.00	
Baishan Huicheng park Development and Construction Co., Ltd.					30,000,630.11	
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.					10,227,362.00	
Huzhou Shanggang International Port Co., Ltd.					98,363,547.48	
Huzhou High Core Integrated Circuit Co., Ltd.					23,700,000.00	23,700,000.00
Huzhou Chanjing Industrial Development Co., Ltd.					979,772,824.81	

Investees	Changes during the reporting period				30 Jun. 2022	Provision for impairment at 30 Jun. 2022
	Changes in other equity	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Zhejiang Xin Future Talent Development Co., Ltd.					1,256,688.67	
Railway Construction City Development (Huzhou) Development Construction Co., Ltd.					25,004,472.48	
Huzhou Chengxi Zhenxing Rural Construction Development Co., Ltd.					84,250,012.15	
Huzhou Jingcheng Real Estate Co., Ltd.					-	
Honeycomb Energy Technology (Huzhou) Co., Ltd.					200,000,000.00	
Zongmu Technology (Shanghai) Co., Ltd.					50,000,000.00	
Huzhou Jingshi Industrial Development Co., Ltd.					4,800,000.00	
Huzhou Feiying Financial Leasing Co., Ltd.					114,800,000.00	
Total					2,033,779,169.32	23,700,000.00

Note: Huzhou Jingcheng Real Estate Co., Ltd. has been cancelled on 8 February 2022.

5.12 Other Equity Instrument Investments

(a) General information of other equity instrument investments

Items	30 Jun. 2022	31 Dec. 2021
Listed equity instruments investment:		
Non-listed equity instruments investment	289,048,000.00	289,048,000.00
Huzhou City Investment Construction Development Co., Ltd.	3,000,000.00	3,000,000.00
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.	5,000,000.00	5,000,000.00
Huzhou Ganghua Gas Co., Ltd.	1,000,000.00	1,000,000.00
Huzhou Zhengce Guarantee Co., Ltd.	40,000,000.00	40,000,000.00
Huzhou Xihu Environmental Protection Technology Co., Ltd.	9,900,000.00	9,900,000.00
Huzhou Huazhou Construction Development Co., Ltd.	3,500,000.00	3,500,000.00
Zhejiang Boye Biotechnology Co., Ltd.	20,000,000.00	20,000,000.00
SVOLT Energy Technology Co., Ltd	30,000,000.00	30,000,000.00
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.	60,000,000.00	60,000,000.00
Huzhou Huwan Expressway Co., Ltd.	116,648,000.00	116,648,000.00

Items	30 Jun. 2022	31 Dec. 2021
Huzhou Liangshan Ecological Resources Operation Co., Ltd.	2,500,000.00	
Total	291,548,000.00	289,048,000.00

(b) General information of non-trading equity instrument investment

Items	Dividends recognized in the current period	Cumulative gains	Cumulative losses	Amount of other comprehensive income transfer to retained earnings	The reason for designated as measuring at fair value through other comprehensive income	The reason for other comprehensive income transfer to retained earnings
Huzhou City Investment Construction Development Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Ganghua Gas Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Zhengce Guarantee Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Xinhua Environmental Protection Technology Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Huazhou Construction Development Co., Ltd.					The investment is a non-trading equity investment.	
Zhejiang Boye Biotechnology Co., Ltd.					The investment is a non-trading equity investment.	
SVOLT Energy Technology Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Huwan Expressway Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Liangshan Ecological Resources Operation Co., Ltd.					The investment is a non-trading equity investment.	

5.13 Other Non-current Financial Assets

Item	30 Jun. 2022	31 Dec. 2021
Debt instrument investments		

Item	30 Jun. 2022	31 Dec. 2021
Equity instrument investments	591,003,327.11	591,003,327.11
Huzhou Huantaihu Zhongzhi Yongxingda Investment Partnership (Limited Partnership)	80,101,348.00	79,101,348.00
Huzhou Sairun Equity Investment Partnership (Limited Partnership)	66,046,917.76	66,046,917.76
Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership)	30,000,000.00	30,000,000.00
Huzhou Xinchuangke Tianshi Venture Capital Investment Partnership (Limited Partnership)	13,333,296.00	11,092,400.00
Zongmu Technology (Shanghai) Co., Ltd.	50,000,000.00	50,000,000.00
Zhejiang Panshi Information Technology Co., Ltd.	129,999,992.35	129,999,992.35
Zhejiang Teruisi Pharmaceutical Inc.	224,762,669.00	224,762,669.00
Total	594,244,223.11	591,003,327.11

5.14 Investment Properties

(a) Investment properties accounted for using fair value model

Items	Buildings and constructions	Total
Balance at 31 Dec. 2021	2,413,040,143.62	2,413,040,143.62
Increase during the reporting period	47,620,565.00	47,620,565.00
(i) Acquisition	3,135,671.00	3,135,671.00
(ii) Transfer from inventories		
(iii) Transfer from property, plant and equipment		
(iv) Gratuitous transfer	44,484,894.00	44,484,894.00
(v) Changes in fair value		
(vi) Transfer from intangible assets		
Decrease during the reporting period		
Balance at 30 Jun. 2022	2,460,660,708.62	2,460,660,708.62

(b) Investment properties without certificate of title

There is no such item.

5.15 Property, plant and equipment

(a) Property, plant and equipment by category

Items	30 Jun. 2022	31 Dec. 2021
Property, plant and equipment	1,893,204,589.9500	1,858,024,338.92
Disposal of property, plant and equipment		
Total	1,893,204,589.95	1,858,024,338.92

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Office and electronic equipment
I. Initial cost:			
Balance at 31 Dec. 2021	711,104,260.95	2,254,214.91	12,656,984.38
Increase during the reporting period:	159,538,236.58	36,359,455.30	3,177,070.68
(i) Acquisition	8,446.60	26,421.74	975,767.47
(ii) Business combination	159,529,789.98	36,333,033.56	2,201,303.21
(iii) Transfer from inventories			
(iv) Gratuitous transfer			
Decrease during the reporting period:		4,400.00	
(i) Disposal or scrap		4,400.00	
(ii) Others			
Balance at 30 Jun. 2022	870,642,497.53	38,609,270.21	15,834,055.06
II. Accumulated depreciation			
Balance at 31 Dec. 2021	52,305,274.76	1,293,532.48	6,895,898.53
Increase during the reporting period:	30,351,822.48	10,275,480.44	3,477,879.63
(i) Provision	20,107,056.81	1,520,251.00	1,515,003.77
(ii) Business combination	10,244,765.67	8,755,229.44	1,962,875.86
Decrease during the reporting period:	1,428,344.89	4,400.00	
(i) Disposal or scrap		4,400.00	
(ii) Others	1,428,344.89		
Balance at 30 Jun. 2022	81,228,752.35	11,569,012.92	10,373,778.16
III. Provision for impairment:			
Balance at 31 Dec. 2021			
Increase during the reporting period:			
Decrease during the reporting period:			
Balance at 30 Jun. 2022			
IV. Carrying amount:			
Balance at 30 Jun. 2022	789,413,745.18	27,040,257.29	5,460,276.90
Balance at 31 Dec. 2021	658,798,986.19	960,682.43	5,761,085.85

(Continued)

Items	Vehicles	Special equipment	Total
I. Initial cost:			
Balance at 31 Dec. 2021	2,573,181.01	1,201,836,500.00	1,930,425,141.25
Increase during the reporting period:	6,429,536.18		205,504,298.74
(i) Acquisition	21,548.60		1,032,184.41
(ii) Business combination	6,407,987.58		204,472,114.33

Items	Vehicles	Special equipment	Total
(iii) Transfer from inventories			
(iv) Gratuitous transfer			
Decrease during the reporting period:		105,939,994.00	105,944,394.00
(i) Disposal or scrap			4,400.00
(ii) Others		105,939,994.00	105,939,994.00
Balance at 30 Jun. 2022	9,002,717.19	1,095,896,506.00	2,029,985,045.99
II. Accumulated depreciation			
Balance at 31 Dec. 2021	1,890,792.39	10,015,304.17	72,400,802.33
Increase during the reporting period:	3,442,274.28	18,264,941.77	65,812,398.60
(i) Provision	492,297.45	18,264,941.77	41,899,550.80
(ii) Business combination	2,949,976.83		23,912,847.80
Decrease during the reporting period:			1,432,744.89
(i) Disposal or scrap			4,400.00
(ii) Others			1,428,344.89
Balance at 30 Jun. 2022	5,328,666.67	28,280,245.94	136,780,456.04
III. Provision for impairment:			
Balance at 31 Dec. 2021			
Increase during the reporting period:			
Decrease during the reporting period:			
Balance at 30 Jun. 2022			
IV. Carrying amount:			
Balance at 30 Jun. 2022	3,674,050.52	1,067,616,260.06	1,893,204,589.95
Balance at 31 Dec. 2021	682,388.62	1,191,821,195.83	1,858,024,338.92

(b.2) Property, plant and equipment acquired under finance leases:

There is no such item.

(b.3) Property, plant and equipment acquired under operating leases:

There is no such item.

(c) Disposal of property, plant and equipment

There is no such item.

5.16 Construction in Progress

(a) Construction in progress by category

Items	30 Jun. 2022	31 Dec. 2021
Construction in progress	610,353,924.03	236,352,541.25
Construction materials		
Total	610,353,924.03	236,352,541.25

(b) Construction in progress

(b.1) General information of construction in progress

Items	30 Jun. 2022			31 Dec. 2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Yangjiabu Industrial Park tertiary industry supporting project	302,360,738.98		302,360,738.98			
Huzhou Logistics Centre Base	185,459,335.69		185,459,335.69	183,309,220.36		183,309,220.36
Annual output of 20,000 units (sets) of new energy automobile key parts project	59,582,737.03		59,582,737.03			
Other projects	62,951,112.33		62,951,112.33	53,043,320.89		53,043,320.89
Total	610,353,924.03		610,353,924.03	236,352,541.25		236,352,541.25

(b.2) Changes in significant projects of construction in progress

Projects	31 Dec. 2021	Increase during the reporting period	Transfer to property, plant and equipment	Decrease during the reporting period	30 Jun. 2022
Yangjiabu Industrial Park tertiary industry supporting project		302,360,738.98			302,360,738.98
Huzhou Logistics Centre Base	183,309,220.36	2,150,115.33			185,459,335.69
Annual output of 20,000 units (sets) of new energy automobile key parts project		59,582,737.03			59,582,737.03
Total	183,309,220.36	364,093,591.34			547,402,811.70

(b.3) Provision for impairment during the reporting period:

There is no such item.

(c) Construction materials

There is no such item.

5.17 Intangible Assets

(a) General information of intangible assets

Items	Land use right	Computer software	Parking lot	Total
I Initial cost:				
Balance at 31 Dec. 2021	75,870,105.70	389,600.00		76,259,705.70
Increase during the reporting period:	148,000,818.40	425,636.42	61,455,100.00	209,881,554.82
(i) Acquisition	12,844,100.00			12,844,100.00

Items	Land use right	Computer software	Parking lot	Total
(ii) Business combination	135,156,718.40	425,636.42		135,582,354.82
(iii) Gratuitous transfer			61,455,100.00	61,455,100.00
Decrease during the reporting period:				
(i) Transfer out to investment properties				
Balance at 30 Jun. 2022	223,870,924.10	815,236.42	61,455,100.00	286,141,260.52
II. Accumulated amortization:				
Balance at 31 Dec. 2021	7,689,296.95	12,986.67		7,702,283.62
Increase during the reporting period:	3,372,728.80	464,596.42		3,837,325.22
(i) Provision	2,354,874.02	55,295.08		2,410,169.10
(ii) Business combination	1,017,854.78	409,301.34		1,427,156.12
Decrease during the reporting period:				
(i) Transfer out to investment properties				
Balance at 30 Jun. 2022	11,062,025.75	477,583.09		11,539,608.84
III. Provision for impairment:				
Balance at 31 Dec. 2021				
Increase during the reporting period:				
Decrease during the reporting period:				
Balance at 30 Jun. 2022				
IV. Carrying amount:				
Balance at 30 Jun. 2022	212,808,898.35	337,653.33	61,455,100.00	274,601,651.68
Balance at 31 Dec. 2021	68,180,808.75	376,613.33		68,557,422.08

5.18 Research and Development Expenditure

(a) Changes in research and development expenditure

Items	31 Dec. 2021	Increase during the reporting period			Decrease during the reporting period			30 Jun. 2022
		Internal research and development	Business combination	Other	Recognition of intangible assets	Recognised in current profit or loss	Other	
10-meter pure electric bus (K001)			24,830,891.57					24,830,891.57
8.5-meter pure electric vehicle research and development			18,361,098.23					18,361,098.23
6.5-meter pure electric vehicle			11,815,665.88					11,815,665.88

Items	31 Dec. 2021	Increase during the reporting period			Decrease during the reporting period			30 Jun. 2022
		Internal research and development	Business combination	Other	Recognition of intangible assets	Recognised in current profit or loss	Other	
research and development								
Electric motor and electric control development project			11,320,754.72					11,320,754.72
Others			24,547,813.80					24,547,813.80
Total			90,876,224.20					90,876,224.20

5.19 Long-term Deferred Expenses

Items	31 Dec. 2021	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	30 Jun. 2022
Framework Road	3,116,758.62		276,160.47		2,840,598.15
Science and Innovation Center First Stage Building No.5 1st Floor Lecture Hall Renovation and Upgrading Project	2,116,332.32		280,135.48		1,836,196.84
Other projects	55,101,675.25		3,958,366.50		51,143,308.75
Others	74,307,162.85	15,566,509.43	9,177,200.40		80,696,471.88
Renovation costs	134,958.71		76,148.94		58,809.77
Total	134,776,887.75	15,566,509.43	13,768,011.79		136,575,385.39

5.20 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	30 Jun. 2022		31 Dec. 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for assets impairment losses	24,500,000.00	6,125,000.00	24,500,000.00	6,125,000.00
Provision for credit impairment losses	103,088,917.68	25,772,229.42	75,995,352.70	18,998,838.19
Fair value loss of investment properties at the time of initial assessment	41,886.34	10,471.59	41,886.34	10,471.59

Items	30 Jun. 2022		31 Dec. 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Total	127,630,804.02	31,907,701.01	100,537,239.04	25,134,309.78

(b) Deferred tax liabilities before offsetting

Items	30 Jun. 2022		31 Dec. 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Change in fair value of investment properties	808,969,342.24	202,242,335.55	808,969,342.24	202,242,335.55
Pre-tax deductible depreciation impact amount of investment properties	60,314,212.91	15,078,553.23	60,314,212.91	15,078,553.23
Change in fair value of investment properties at the time of initial conversion	29,353,277.31	7,338,319.33	29,353,277.31	7,338,319.33
Total	898,636,832.46	224,659,208.11	898,636,832.46	224,659,208.11

(c) Net balance of deferred tax liabilities and deferred tax assets after offsetting:

There is no such item.

(d) Unrecognized deferred tax assets

Items	30 Jun. 2022	31 Dec. 2021
Deductible temporary differences	22,275,845.49	21,391,245.21
Total	22,275,845.49	21,391,245.21

5.21 Other Non-current Assets

Items	30 Jun. 2022	31 Dec. 2021
Microvast Power Systems Co., Ltd.	500,000,000.00	500,000,000.00
Lanjian Aerospace Technology Co., Ltd.	45,000,000.00	45,000,000.00
Beijing Lanjian Space Technology Co., Ltd. (Lanjian Aerospace Space Technology Co., Ltd.)	11,938,771.00	11,938,771.00
Linghui Technology Co., Ltd.	15,000,000.00	15,000,000.00
Zhejiang Depps Medical Technology Co., Ltd.	20,467,123.00	20,467,123.00
Margin for finance lease	250,301,000.00	213,900,000.00
Margin for trust fund	55,345,200.00	81,109,000.00
Total	898,052,094.00	887,414,894.00

5.22 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	30 Jun. 2022	31 Dec. 2021
Guarantee loans	2,903,190,000.00	2,210,724,964.38

Items	30 Jun. 2022	31 Dec. 2021
Pledge loans	1,449,500,000.00	772,300,000.00
Mortgage loans	130,000,000.00	135,000,000.00
Credit loans	440,190,500.00	240,565,875.00
Mortgage and guarantee loans	515,000,000.00	520,000,000.00
Interest on short-term borrowings	7,313,331.33	4,503,752.47
Total	5,445,193,831.33	3,883,094,591.85

(b) Overdue short-term borrowings

There is no such item.

5.23 Notes Payable

Items	30 Jun. 2022	31 Dec. 2021
Bank acceptance bills		
Commercial acceptance bills		24,335,088.00
Total		24,335,088.00

5.24 Accounts Payable

(a) Accounts payable categorized by aging

Aging	30 Jun. 2022		31 Dec. 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	60,549,012.14	6.84	563,019,314.06	65.42
1 to 2 years	531,006,795.16	59.98	130,097,974.53	15.12
2 to 3 years	126,275,038.78	14.26	70,107.25	0.01
Over 3 years	167,465,965.83	18.92	167,395,858.58	19.45
Total	885,296,811.91	100.00	860,583,254.42	100.00

5.25 Advances from Customers

(a) Advances from customers categorized by aging

Aging	30 Jun. 2022		31 Dec. 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	6,661,016.64	32.33	13,257,404.55	76.79
1 to 2 years	10,965,850.57	53.22	3,762,799.16	21.80
2 to 3 years	2,735,642.68	13.28	231,153.72	1.34
Over 3 years	243,486.72	1.18	12,333.00	0.07
Total	20,605,996.61	100.00	17,263,690.43	100.00

5.26 Contract Liabilities

(a) General information of contract liabilities

Items	30 Jun. 2022	31 Dec. 2021
Advances from customers for goods	752,513.01	37,896.60
Advances from customers for projects	78,572,050.69	128,620,341.99
Advances from customers for houses	94,413,048.20	124,848,006.97
Other advances from customers	1,257,023.36	23,500.00
Total	174,994,635.26	253,529,745.56

(b) The amount and reason for the significant change in carrying value of the current period:

There is no such item.

5.27 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Short-term employee benefits	845,188.84	30,377,255.85	30,977,360.51	245,084.18
Post-employment benefits-defined contribution plans	310,310.47	2,288,355.89	2,265,177.41	333,488.95
Termination benefits				
Other benefits due within one year				
Total	1,155,499.31	32,665,611.74	33,242,537.92	578,573.13

(b) Short-term employee benefits

Items	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Salaries, bonuses, allowances and subsidies	784,249.23	23,105,649.29	23,745,284.46	144,614.06
Employee benefits		1,857,290.94	1,857,290.94	
Social insurance:	15,354.17	1,190,895.07	1,178,584.48	27,664.76
Health insurance	15,354.17	53,165.77	52,462.85	702.92
Injury insurance				
Birth insurance				
Housing accumulation fund		2,562,560.00	2,539,603.00	22,957.00
Labor union funds and employee education funds	14,800.00	415,649.93	412,089.93	18,360.00
Short-term absence pays	30,785.44	1,192,044.85	1,192,044.85	30,785.44
Short-term profit-sharing plan				
Total	845,188.84	30,377,255.85	30,187,658.23	245,084.18

(c) Defined contribution plans

Items	31 Dec.2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Basic endowment insurance	305,163.54	2,283,420.22	2,260,881.92	327,701.84
Unemployment insurance	5,146.93	4,935.67	4,295.49	5,787.11
Enterprise annuity				
Total	310,310.47	2,288,355.89	2,265,177.41	333,488.95

5.28 Taxes Payable

Items	30 Jun. 2022	31 Dec. 2021
Value added tax (VAT)	58,416,138.39	51,593,183.27
Business tax	13,649,466.95	13,649,466.95
Urban maintenance and construction tax	5,378,110.73	5,346,615.29
Enterprise income tax	198,301,799.43	199,185,278.30
Personal income tax	-8,672.08	-32,581.37
Property tax	1,789,838.60	1,968,633.64
Urban land usage tax	7,509,485.59	8,213,528.62
Stamp duty	111.31	-1,331.00
Educational surcharge	3,590,035.33	3,591,141.91
Water conservancy construction fund	899,211.31	899,211.31
Others	1,136,913.60	1,136,913.60
Total	290,662,439.16	285,550,060.52

5.29 Other Payables

(a) Other payables by category

Items	30 Jun. 2022	31 Dec. 2021
Interest payable		
Dividend payable	947,222.22	947,222.22
Other payables	869,134,275.02	1,552,787,422.89
Total	870,081,497.24	1,553,734,645.11

(b) Interest payable

There is no such item.

(c) Dividend payable

Items	30 Jun. 2022	31 Dec. 2021
Dividends on ordinary shares		
Dividends on preference shares /perpetual bonds classified as equity instruments	947,222.22	947,222.22
Including: Dividends on preference shares /perpetual bonds	947,222.22	947,222.22
Total	947,222.22	947,222.22

Significant balance of dividends payable with aging of over one year:

There is no such item.

(d) Other payables

(d.1) Disclosure of other payables by aging

Aging	30 Jun. 2022		31 Dec. 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	344,427,765.50	39.63	838,294,489.74	53.98
1 to 2 years	179,198,124.25	20.62	45,609,518.96	2.94
2 to 3 years	24,770,919.46	2.85	1,816,938.90	0.12
Over 3 years	320,737,465.81	36.90	667,066,475.29	42.96
Total	869,134,275.02	100.00	1,552,787,422.89	100.00

5.30 Non-current Liabilities Maturing within One Year

Items	30 Jun. 2022	31 Dec. 2021
Long-term borrowings maturing within one year	3,038,375,843.06	7,356,425,368.65
Bonds payable maturing within one year	2,203,566,179.66	859,516,268.61
Long-term payables maturing within one year	1,944,130,742.03	1,562,503,150.88
Other non-current liabilities maturing within one year	499,930,000.00	1,130,890,152.84
Interest on long-term borrowings maturing within one year	24,121,485.59	28,361,102.08
Interest on bonds payable maturing within one year	473,521,018.57	298,861,579.79
Interest on long-term payables maturing within one year	57,472,767.19	29,454,351.67
Interest on other non-current liabilities maturing within one year	22,984,065.83	20,046,038.44
Total	8,264,102,101.93	11,286,058,012.96

5.31 Other Current Liabilities

Items	30 Jun. 2022	31 Dec. 2021
Output tax to be transferred	72,219,464.71	11,232,438.53
Total	72,219,464.71	11,232,438.53

5.32 Long-term Borrowings

Items	30 Jun. 2022	31 Dec. 2021
Credit loans	360,000,000.00	170,000,000.00
Guarantee loans	8,712,960,000.00	10,075,940,000.00
Pledge loans	1,359,828,698.27	1,702,428,698.27
Guarantee and mortgage loans	450,466,730.76	259,052,586.87
Guarantee and pledge loans	1,821,500,000.00	1,655,000,000.00
Guarantee, mortgage and pledge loans	20,000,000.00	40,000,000.00
Subtotal	12,724,755,429.03	13,902,421,285.14
Less: Long-term borrowings maturing within one year	3,038,375,843.06	7,356,425,368.65

Items	30 Jun. 2022	31 Dec. 2021
Total	9,686,379,585.97	6,545,995,916.49

(b) Overdue long-term borrowings

There is no such item.

5.33 Bonds Payable

(a) General information of bonds payable

Items	30 Jun. 2022	31 Dec. 2021
21 Hujing 01	894,645,000.00	894,015,000.00
21 Hujing 02	1,490,900,000.00	1,489,850,000.00
22 Hujing 01	1,293,385,000.00	
16 Huantaihu MIN001	42,571,428.57	42,571,428.57
17 Huantaihu MTN001	700,000,000.00	700,000,000.00
20 Huantaihu MTN001	1,500,000,000.00	1,500,000,000.00
20 Huanhu 01	1,900,000,000.00	1,900,000,000.00
Huantaihu International Dollar Bond	1,340,014,902.50	1,271,553,668.75
21 Huantaihu MTN001	995,700,000.00	995,100,000.00
21 Huantaihu MTN002	499,212,750.00	499,112,250.00
21 Huantaihu PPN001	997,000,000.00	996,333,333.33
22 Huantaihu PPN001	936,240,000.00	
21 Huanhu 01	596,186,113.20	598,066,037.73
21 Huanhu 03	953,135,516.98	956,099,200.00
21 Huanhu 04	337,352,205.45	338,444,981.13
17 Xisaishan PPN001	566,473,714.29	565,361,142.86
19 Zhexisaishan Bond RZ001	297,077,562.87	294,155,125.75
20 Xisaishan PPN001	498,111,111.11	497,444,444.44
21 Xisaishan PPN	598,600,000.00	598,000,000.00
Subtotal	16,436,605,304.97	14,136,106,612.56
Less: Bonds payable maturing within one year	2,203,566,179.66	859,516,268.61
Total	14,233,039,125.31	13,276,590,343.95

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec. 2021	Including: Amount due within one year
16 Huantaihu MIN001	100.00	12 Aug. 2016	7 years	800,000,000.00	42,571,428.57	
17 Huantaihu MTN001	100.00	23 Aug. 2017	7 years	700,000,000.00	700,000,000.00	
20 Huantaihu MTN001	100.00	1 Sept. 2020	5 years	1,500,000,000.00	1,500,000,000.00	
20 Huanhu 01	100.00	14 Oct. 2020	5 years	1,900,000,000.00	1,900,000,000.00	

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec. 2021	Including: Amount due within one year
Huantaihu International Dollar Bond	100.00	17 Mar. 2020	3 years	1,401,880,000.00	1,271,553,668.75	
17 Xisaishan PPN001	100.00	27 Sept. 2017	5 years	600,000,000.00	565,361,142.86	565,361,142.86
19 Zhexisaishan Bond RZ001	100.00	9 Dec. 2019	3 years	300,000,000.00	294,155,125.75	294,155,125.75
20 Xisaishan PPN001	100.00	16 Dec. 2020	3 years	500,000,000.00	497,444,444.44	
21 Hujing 01	100.00	28 Sept. 2021	5 years	900,000,000.00	894,015,000.00	
21 Hujing 02	100.00	12 Nov. 2021	5 years	1,500,000,000.00	1,489,850,000.00	
21 Huantaihu MTN001	100.00	20 Jan. 2021	5 years	1,000,000,000.00	995,100,000.00	
21 Huantaihu MTN002	100.00	7 May 2021	5 years	500,000,000.00	499,112,250.00	
21 Huanhu 01	100.00	8 Feb. 2021	5 years	600,000,000.00	598,066,037.73	
21 Huanhu 03	100.00	29 Apr. 2021	5 years	960,000,000.00	956,099,200.00	
21 Huanhu 04	100.00	28 Jun. 2021	5 years	340,000,000.00	338,444,981.13	
21 Huantaihu PPN001	100.00	2 Sept. 2021	3 years	1,000,000,000.00	996,333,333.33	
21 Xisaishan PPN	100.00	31 Aug. 2021	3 years	600,000,000.00	598,000,000.00	
22 Hujing 01	100.00	24 Jan. 2022	5 years	1,300,000,000.00		
22 Huantaihu PPN001	100.00	17 Jan. 2022	3 years	940,000,000.00		
Total				17,341,880,000.00	14,136,106,612.56	859,516,268.61

(Continued)

Bonds	Issued amount during the reporting period	Issuance fee	Amortization of issuance fee	Repayment during the reporting period	Others	30 Jun. 2022	Including: Amount due within one year
16 Huantaihu MIN001						42,571,428.57	
17 Huantaihu MTN001						700,000,000.00	
20 Huantaihu MTN001						1,500,000,000.00	
20 Huanhu 01						1,900,000,000.00	
Huantaihu International Dollar Bond			225,000.00		-68,236,233.75	1,340,014,902.50	1,340,014,902.50
17 Xisaishan PPN001			1,112,571.43			566,473,714.29	566,473,714.29
19 Zhexisaishan Bond RZ001			2,922,437.12			297,077,562.87	297,077,562.87
20 Xisaishan PPN001			666,666.67			498,111,111.11	
21 Hujing 01			630,000.00			894,645,000.00	
21 Hujing 02			1,050,000.00			1,490,900,000.00	
21 Huantaihu MTN001			600,000.00			995,700,000.00	
21 Huantaihu MTN002			100,500.00			499,212,750.00	
21 Huanhu 01		2,400,000.00	520,075.47			596,186,113.20	
21 Huanhu 03		3,840,000.00	876,316.98			953,135,516.98	
21 Huanhu 04		1,360,000.00	267,224.32			337,352,205.45	
21 Huantaihu PPN001			666,666.67			997,000,000.00	
21 Xisaishan PPN			600,000.00			598,600,000.00	
22 Hujing 01	1,300,000,000.00	7,350,000.00	735,000.00			1,293,385,000.00	
22 Huantaihu PPN001	940,000,000.00	3,760,000.00				936,240,000.00	
Total	2,240,000,000.00	18,710,000.00	10,972,458.66	-	-68,236,233.75	16,436,605,304.97	2,203,566,179.66

(c) Conversion period and conditions for convertible bonds

There is no such item.

(d) Other financial instruments classified as financial liabilities

There is no such item.

5.34 Long-term Payables

(a) Long-term payables by category

Items	30 Jun. 2022	31 Dec. 2021
Long-term payables	6,903,434,046.34	6,424,931,875.10
Specific items payable	661,302,316.68	661,302,316.68
Subtotal	7,564,736,363.02	7,086,234,191.78
Less: Long-term payables maturing within one year	1,944,130,742.03	1,562,503,150.88
Total	5,620,605,620.99	5,523,731,040.90

(b) Specific items payable

Items	30 Jun. 2022	31 Dec. 2021
Special Central Fund Subsidies for Resettlement Community and Shantytown Reconstruction	5,366,544.00	5,366,544.00
Huzhou Nantaihu New District Finance Bureau	380,118,355.78	380,118,355.78
Huzhou Natural Resources and Planning Bureau, Huzhou Nantaihu New District Branch	111,243.00	111,243.00
Construction Funds for Changhushen Fairway West Extension Project	50,000,000.00	50,000,000.00
Infrastructure spending for Kangshan Centre Fenghuang Center Community Health Service Center	8,160,000.00	8,160,000.00
Special Funds for Comprehensive Improvement of Small Towns in Tangkou	2,500,000.00	2,500,000.00
Special funds for Tiaoxi Qingshui Lake Follow-up Project	155,046,173.90	155,046,173.90
Central Construction Capital for Infrastructure Construction for Supportable Housing Projects (Southwest Primary School)	60,000,000.00	60,000,000.00
Total	661,302,316.68	661,302,316.68

5.35 Other Non-current Liabilities

Items	30 Jun. 2022	31 Dec. 2021
20 Zhehuzhou Economic Development ZR002	499,500,000.00	499,300,000.00
20 Zhehuantaihu ZR002	200,000,000.00	200,000,000.00
21 Zhehuzhou Economic Development ZR001	249,898,750.00	249,831,250.00
The Fifth Phase of Debt Financing Plan in 2021	499,172,578.14	
20 Zhexisaishan ZR002	99,833,515.29	99,733,624.46
20 Zhexisaishan ZR003	278,506,564.09	277,691,962.68
20 Zhexisaishan ZR004	179,664,366.83	179,496,550.24

Items	30 Jun. 2022	31 Dec. 2021
Total	2,006,575,774.35	1,506,053,387.38

5.36 Paid-in Capital

Investment entity	31 Dec. 2021		Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022	
	Proportion of ownership interest (%)	Amount			Proportion of ownership interest (%)	Amount
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	100.00	500,000,000.00			100.00	500,000,000.00
Total	100.00	500,000,000.00			100.00	500,000,000.00

5.37 Other Equity Instruments

Items	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Perpetual Debt of Zhongyuan Trust (Ping An Bank)	500,000,000.00			500,000,000.00
Perpetual Debt of Huaxin Trust (Ningbo Bank)		400,000,000.00		400,000,000.00
Total	500,000,000.00	400,000,000.00		900,000,000.00

5.38 Capital Reserves

Items	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Capital premium (share premium)	13,884,206,873.77			13,884,206,873.77
Other capital reserves	3,055,786,139.54	1,234,236,401.68	146,270,044.53	4,143,752,496.69
Total	16,939,993,013.31	1,234,236,401.68	146,270,044.53	18,027,959,370.46

Changes and relevant reasons for capital reserves during the reporting period:

- According to the document issued by the Huzhou Nantaihu New District Administrative Committee <On the Confirmation of the Value of the Assets of Huzhou Jingkai Investment and Development Group Co., Ltd. transferred into the pipeline network> that the value of the pipeline network assets transferred into Huantaihu Group for free in the previous period was reduced by CNY105,939,994.00, which was included in capital reserves;
- Huantaihu Group which is the **Company's** subsidiary that received project fund subsidy by CNY784,062,986.11, which was included in capital reserves;
- According to the documents, that the **Company's** subsidiary Huantaihu Group was gratuitously transferred to Huzhou Huanqiao Construction and Development Co.,

Ltd. and Huzhou Huanqiao Construction and Development Co., Ltd.'s subsidiaries Huzhou Minchi Automobile Co., Ltd. and Huzhou Jingcheng Automobile Co., Ltd., and the book net asset of CNY40,330,050.53 on the base date of transfer which was included in capital reserves;

- Xisaishan which is the **Company's** subsidiary that received project fund subsidy by CNY344,233,421.57, which was included in capital reserves;
- Wisdom Parking which is the **Company's** subsidiary was gratuitously transferred to Parking lot by CNY61,455,100.00, which was included in capital reserves;
- Chengxi New Rural which is the **Company's** subsidiary was gratuitously transferred to Yalue Garden 4 Building Farm Market by CNY44,484,894.00, which was included in capital reserves;

5.39 Other Comprehensive Income

Items	31 Dec. 2021	Changes during the reporting period					30 Jun. 2022
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Items that will not be reclassified subsequently to profit or loss							
Including: Changes of remeasurement of the defined benefit plan							
Other comprehensive income will not be reclassified into profit or loss under equity method							
Items that may be reclassified subsequently to profit or loss	465,185,487.89	-23,018,891.47			-23,018,891.47		442,166,596.42
Including: Other comprehensive income will be reclassified into profit or loss under equity method	350,663,972.81						350,663,972.81
Exchange differences on translating foreign operations	44,737,797.29	-23,018,891.47			-23,018,891.47		21,718,905.82

Items	31 Dec. 2021	Changes during the reporting period					30 Jun. 2022
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
The part of the fair value greater than the book value on the conversion date when the self-use real estate or inventory is converted to the investment real estate measured by the fair value model	69,783,717.79						69,783,717.79
Total	465,185,487.89	-23,018,891.47			-23,018,891.47		442,166,596.42

5.40 Surplus Reserves

Items	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022
Statutory surplus reserves	203,475,077.26			203,475,077.26
Total	203,475,077.26			203,475,077.26

5.41 Retained Earnings

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Balance at the end of last period before adjustments	3,275,375,337.49	2,989,416,040.60
Adjustments for the opening balance (increase /(decrease))		
Balance at the beginning of the reporting period after adjustments	3,275,375,337.49	2,989,416,040.60
Add: Net profit attributable to owners of the parent company for the reporting period	57,231,076.51	70,037,826.83
Less: Appropriation to statutory surplus reserves		
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends		4,133,333.33
Ordinary shares dividends converted into share capital		
Others		
Balance at the end of the reporting period	3,332,606,414.00	3,055,320,534.10

Note: The "Others" is dividends payable on other equity instruments in the current

period.

5.42 Revenue and Cost of Sales

(a) Disclosure of revenue and cost of sales

Items	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	955,731,461.48	835,269,151.70	1,332,767,409.78	1,245,860,355.24
Other activities			1,386,806.68	1,874,748.72
Total	955,731,461.48	835,269,151.70	1,334,154,216.46	1,247,735,103.96

(b) Revenue and cost of sales by categories

Items	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	Revenue	Costs of sales	Revenue	Costs of sales
Entrusted construction projects	603,423,544.24	520,565,674.22	511,142,642.14	443,027,227.77
Energy consumption income	2,262,073.47	-		
Real estate sales	52,899.53	94,531.63		
Asset rental	57,478,686.40	27,853,743.96	31,829,546.29	23,218,451.69
Property management income	16,110,447.32	19,779,046.16	13,228,191.73	13,894,133.00
Goods trade income	261,519,163.16	257,747,368.08	765,466,456.21	764,717,857.15
Hotel operation	6,001,246.40	916,537.45	3,271,381.56	180,379.88
Canteen catering income	3,461,168.25	3,018,148.53		
Others	5,422,232.71	5,294,101.67	9,215,998.53	2,697,054.47
Total	955,731,461.48	835,269,151.70	1,334,154,216.46	1,247,735,103.96

5.43 Finance Costs

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Interest expenses	100,209,245.81	91,444,551.50
Less: Interest income	24,565,760.55	18,400,665.20
Net interest expenses	75,643,485.26	73,043,886.30
Foreign exchange losses		582,875.78
Less: Foreign exchange gains		
Net foreign exchange losses		582,875.78
Bank charges	3,093,840.27	2,822,590.77
Others	14,653,810.50	
Total	93,391,136.03	76,449,352.85

5.44 Other Income

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Related to assets /income
Subsidies for infrastructure maintenance	140,153,098.00	143,000,000.00	Related to income
Return of individual income tax declaration fee	8,750.61	6,067.73	Related to income
Subsidy for job stabilization	22,756.17	4,106.54	Related to income
Tax return	22,988.73		Related to income
Others	187,996.86		Related to income
Total	140,395,590.37	143,010,174.27	

5.45 Investment Income/(Losses)

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Investment income from long-term equity investments under equity method	-1,006.14	-52,780.87
Gains on disposal of long-term equity investments	168,600.00	
Investment income from held-for-trading financial assets during holding period		
Dividends earned from other equity instrument investments during holding period		
Others	3,100,000.00	
Total	3,267,593.86	-52,780.87

5.46 Credit Impairment Losses

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Bad debt loss of accounts receivable	-329,561.11	124,830.34
Bad debt loss of other receivables	28,282,726.37	9,334,265.16
Total	27,953,165.26	9,459,095.50

5.47 Non-operating Income

(a) Details of non-operating income

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Government grants irrelevant to daily operation activities		
Penalty and confiscatory income		
Insurance indemnity		2,600.00
Others	601,228.95	202,000.44
Waste income		

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Total	601,228.95	204,600.44

5.48 Non-operating Expenses

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Loss from damage or scrapping of non-current assets		230,531.86
Donations		500,000.00
Fines and overdue payment		3.45
Others	5,075.24	124,279.38
Total	5,075.24	854,814.69

5.49 Income Tax Expenses

Items	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Current tax expenses	276,005.81	186,597.64
Deferred tax expenses	-6,479,796.49	-2,363,241.14
Total	-6,203,790.68	-2,176,643.50

5.50 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	For the six months ended 30 June 2022	For the six months ended 30 June 2021
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	57,231,076.51	69,578,396.26
Add: Provisions for impairment of assets		9,459,095.50
Credit impairment loss	27,953,165.26	
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	41,899,550.80	14,724,824.43
Amortization of intangible assets	2,410,169.10	1,070,415.86
Amortization of long-term deferred expenses	13,768,011.79	1,504,887.49
Losses/(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets		
Losses/(gains) on scrapping of property, plant and equipment	4,400.00	230,531.86
Losses /(gains) on changes in fair value		
Finance costs /(income) recognized in profit or loss	100,209,210.06	92,027,427.28
Investment losses /(income) recognized in profit or loss	-3,267,593.86	52,780.86

Supplementary information	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Decreases /(increases) in deferred tax assets	-6,773,391.23	-2,363,241.14
Increases /(decreases) in deferred tax liabilities		
Decreases /(increases) in inventories	-494,572,588.36	-2,187,526,393.07
Decreases /(increases) in operating receivables	-2,488,005,661.52	-2,292,875,631.91
Increases /(decreases) in operating payables	1,593,507,135.74	692,887,690.86
Net cash flows from operating activities	-1,155,636,515.71	-3,601,229,215.72
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	3,396,219,463.03	3,624,111,245.60
Less: Cash at the beginning of the reporting period	2,175,632,828.64	1,757,580,774.91
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	1,220,586,634.39	1,866,530,470.69

(b) The components of cash and cash equivalents

Items	30 Jun. 2022	31 Dec. 2021
(i) Cash	3,396,219,463.03	2,175,632,828.64
Including: Cash on hand		14,166.81
Cash in bank available for immediate use	3,396,219,463.03	2,175,610,905.10
Other monetary funds available for immediate use		7,756.73
Deposit in the central banks available for immediate use		
Deposits in other banks		
Interbank lending		
(ii) Cash equivalents	3,396,219,463.03	2,175,632,828.64
Including: Bond investments maturing within three months		
(iii) Cash and cash equivalents at the end of the reporting period	3,396,219,463.03	2,175,632,828.64

5.51 Restricted Assets

Items	30 Jun. 2022	Reason
Cash and cash equivalents	1,761,009,986.41	Loan pledges, loan margins, time deposits, structural deposits
Inventories	954,483,039.18	Loan mortgages
Investment properties	678,584,900.00	Loan mortgages
Total	3,394,077,925.59	

5.52 Foreign Currency Monetary Items

(a) Foreign currency monetary items

Items	Foreign currency balance at 30 Jun. 2022	Exchange rate	CNY balance at 30 Jun. 2022
Cash and cash equivalents	43,959,911.10	6.7114	295,032,547.35
Including: USD	43,959,911.10	6.7114	295,032,547.35
Bonds payable	199,662,500.00	6.7114	1,340,014,902.50
Including: USD	199,662,500.00	6.7114	1,340,014,902.50

(b) Details of overseas operating entities:

(b.1) In December 2016, the **Company** invested USD1.00 and established Huantaihu International Investment Co., Ltd. with 100.00% shareholding. The registered address of Huantaihu International Investment Co., Ltd. is British Virgin Islands, and the main principal place of business is Hong Kong, so this company uses USD as its base currency.

(b.2) In December 2016, the **Company** invested USD1.00 and established Rongyuan International Investment Co., Ltd. with 100.00% shareholding. The registered address and main principal place of business of Rongyuan International Investment Co., Ltd. is Hong Kong, so this company uses USD as its base currency.

5.53 Government Grants

(a) Government grants related to assets

There is no such item.

(b) Government grants related to income

Items	Amount	Items presented in the statement of financial position	Amount recorded in the current profit or loss or offset the loss of related costs and expenses	Accounts recorded
Subsidies for infrastructure maintenance	140,153,098.00	Cash and cash equivalents	140,153,098.00	Other income
Return of individual income tax declaration fee	8,750.61	Cash and cash equivalents	8,750.61	Other income
Subsidy for job stabilization	22,756.17	Cash and cash equivalents	22,756.17	Other income

Items	Amount	Items presented in the statement of financial position	Amount recorded in the current profit or loss or offset the loss of related costs and expenses	Accounts recorded
Tax return	22,988.73	Cash and cash equivalents	22,988.73	Other income
Others	187,996.86	Cash and cash equivalents	187,996.86	Other income
Total	140,395,590.37		140,395,590.37	

(c) Amount repaid to the government and reason:

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not under Common Control

There is no such item.

6.2 Business Combination under Common Control

There is no such item.

6.3 Disposal of Subsidiaries

There is no such item.

6.4 Other Situations Leading to Changes in the Scope of Consolidation

- (a) On 17 January 2022, according to the document, the **Company** gratuitously acquired 100.00% equities in Huzhou Huanqiao Construction and Development Co., Ltd. and its subsidiaries Huzhou Minchi Automobile Co., Ltd., Huzhou Jingcheng Automobile Co., Ltd. and Huzhou Enchi Automotive Co., Ltd.
- (b) On 29 June 2022, the Huzhou Huanqiao Construction and Development Co., Ltd. sold the 100.00% of the equity of Huzhou Enchi Automotive Co., Ltd.
- (c) On 22 April 2022, the **Company** established a new subsidiary that is Zhejiang Huzhou Kaixin Digital Technology Co., Ltd.
- (d) On 13 April 2022, the **Company** established a new subsidiary that is Huzhou Jingkai Construction Management Co., Ltd.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Zhejiang Huzhou Huantaihu Group Co.,	Huzhou	Huzhou	Infrastructure development and	100.00		Transfer

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Ltd.			construction			
Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Business services		88.1988	Transfer
Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Business services		69.5122	Transfer
Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Development of Logistics Park		90.9091	Set up
Rongyuan International Investment Co., Ltd.	Hong Kong	Hong Kong	Investment activity		100.00	Set up
Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of Electronic Information Industrial Park		100.00	Set up
Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of science and Technology City Project		100.00	Set up
Huantaihu International Investment Co., Ltd.	Hong Kong	British Virgin Islands	Investment activity		100.00	Set up
Huzhou Bonded Logistics Center Co., Ltd.	Huzhou	Huzhou	Warehousing services		100.00	Set up
Huzhou Bonded Logistics Center International Trade Co., Ltd.	Huzhou	Huzhou	Transportation, storage and post		100.00	Set up
Huzhou Jingkai Property Management Co., Ltd.	Huzhou	Huzhou	Property management		100.00	Set up
Jin Kai Catering Service (Huzhou) Co., Ltd.	Huzhou	Huzhou	Catering		100.00	Set up
Huzhou Huanhu Yijia Pension Service Co., Ltd.	Huzhou	Huzhou	Management of pension institutions		65.00	Set up

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Huzhou Jingkai Hotel Management Co., Ltd.	Huzhou	Huzhou	Hotel management		100.00	Set up
Huzhou Jingkai International Logistics Park Development Co., Ltd.	Huzhou	Huzhou	Logistics management		100.00	Business combination not under common control
Huzhou Jingkai Bonded International Trade Co., Ltd.	Huzhou	Huzhou	Handling and storage		100.00	Set up
Huzhou Ruijing Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail		70.00	Set up
Huzhou Jinshi Equity Investment Co., Ltd.	Huzhou	Huzhou	Business services		100.00	Set up
Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		50.2488	Set up
Huzhou Jinkun Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Jinyu Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Jingkai Products Management Co., Ltd.	Huzhou	Huzhou	Journalism and publishing		100.00	Set up
Huzhou Jingkai Wisdom Parking Management Co., Ltd.	Huzhou	Huzhou	Parking lot management		100.00	Set up
Huzhou Xinchuang Park Development and Operation Co., Ltd.	Huzhou	Huzhou	Park development		100.00	Set up
Huzhou Jingkai New Energy Technology Co., Ltd.	Huzhou	Huzhou	New Energy Development		65.00	Set up
Huzhou Jingkai Petrochemical Co., Ltd.	Huzhou	Huzhou	Petrochemical Sales		51.00	Set up
Huzhou Huanqiao Construction and Development Co., Ltd.	Huzhou	Huzhou	Huanqiao Construction		100.00	Business combination not under common control

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Huzhou Minchi Automobile Co., Ltd.	Huzhou	Huzhou	Minchi Automobile		100.00	Business combination not under common control
Huzhou Jingcheng Automobile Co., Ltd.	Huzhou	Huzhou	Jingcheng Automobile		100.00	Business combination not under common control
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou	Huzhou	Infrastructure development and construction	100.00		Transfer
Huzhou Chengxi New Rural Construction Co., Ltd.	Huzhou	Huzhou	Investment in new rural construction		100.00	Set up
Huzhou Jingqiao Trading Co., Ltd.	Huzhou	Huzhou	Trade		51.00	Set up
Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Huzhou	Huzhou	Urban infrastructure construction		100.00	Set up
Huzhou Ruizhong Trade Co., Ltd.	Huzhou	Huzhou	Trade		70.00	Set up
Zhejiang Huzhou Kaixin Digital Technology Co., Ltd.	Huzhou	Huzhou	Catering		67.00	Set up
Huzhou Jingkai Construction Management Co., Ltd.	Huzhou	Huzhou	Science and technology extension and application services		100.00	Set up

(a.1) Note to the differences between the share of equity interests and that of voting rights:

There is no such item.

(a.2) Basis for having control power over the investees with voting rights of 50.00% or lower, and having no control power over the investee with voting rights above 50.00%:

There is no such item.

(a.3) Basis for control power over important structured entities within the scope of consolidation:

There is no such item.

(a.4) Basis for defining the **Company** as an agent or a principal:

There is no such item.

(b) Important non-wholly owned subsidiary

There is no such item.

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

Illustration for the change of share of subsidiary's equity interests:

There is no such item.

7.3 Interests in Joint Arrangements or Associates

(a) Material joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Joint ventures:						
None						
Associates:						
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Huzhou	Huzhou	Nantaihu Investment Management		21.71	Equity method

(a.1) Note to the differences between the share of equity interests and that of voting rights:

There is no such item.

(a.2) Basis for having significant influence over the investees with voting rights of less than 20.00%, and having no significant influence over the investee with voting rights above 20.00% or above:

- The **Company** holds 20.00% shareholding of Huzhou Xinhua Environmental Protection Technology Co., Ltd. As at 30 June 2022, CNY20.00 million has already been invested. As the **Company** does not participate in the operation and management, it has no significant influence on this invested company that is included in other equity instrument investments.

7.4 Important Joint Operations

There is no such item.

8. FAIR VALUE DISCLOSURES

8.1 Assets and Liabilities Measured at Fair Value at 30 June 2022

Items	Fair value at 30 Jun. 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Held-for-trading financial assets			205,774,520.55	205,774,520.55
(b) Other equity instrument investments			291,548,000.00	291,548,000.00
(c) Other non-current financial assets			594,244,223.11	594,244,223.11
(d) Investment properties:			2,460,660,708.62	2,460,660,708.62
● Buildings held to earn rentals			2,460,660,708.62	2,460,660,708.62

8.2 Basis for the Quoted Prices in Active Markets for Level 1 of the Fair Value Hierarchy

There is no such item.

8.3 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 2 of the Fair Value Hierarchy

There is no such item.

8.4 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 3 of the Fair Value Hierarchy

For the financial instruments not traded on active market and also unable to obtain the market comparable companies' model, Level 3 of the fair value hierarchy is used for review. Since the operating environment, operating conditions and financial status of the invested entity have not changed significantly, the **Company** measures the investment cost as a reasonable estimate of the fair value.

According to *the Assets Appraisal Criteria - Real Estate*, and by reference to *Guidance on Evaluation of Investment Properties* and *Norms for Real Estate Valuation*, the basic methods of investment properties appraisal include income approach and market approach. For the commercial and office parts of the company's assets, there are many similar property sales cases in the regional market, so it is appropriate to adopt the market approach for evaluation. The profitable assets held by the **Company** are under normal lease operation, and the lease contract and other information are relatively complete. Besides, the comprehensive lease price of the region where the appraisal object is located can be collected, so it is appropriate to use the income approach for evaluation.

At the end of the period, the **Company's** investment properties are from (i) Zhejiang Huzhou Huantaihu Group Co., Ltd., Huzhou Rongyuan Technology City Construction Development Co., Ltd., Huzhou Jingkai Products Management Co., Ltd. and Huzhou Jingkai International Logistics Park Development Co., Ltd., and the closing balance of investment properties is evaluated by Zhongshui Zhiyuan Pingbaozi [2022] No.020301 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Zhiyuan Asset Evaluation Co., Ltd.; (ii) Huzhou Xisaishan Development and Construction Co., Ltd., Huzhou Chengxi New Rural Construction Co., Ltd. and Huzhou

Nantaihu Kechuang Construction and Development Co., Ltd., and the closing balance of investment properties is evaluated by Zhongshui Zhiyuan Pingbaozi [2022] No.020302 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Zhiyuan Asset Evaluation Co., Ltd.

8.5 Reconciliations from the Opening Balances to the Closing Balances and the Sensitivities of Significant Unobservable Inputs for Recurring Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

There is no such item.

8.6 Amounts and Reasons of Any Transfers into or out of Each Level of the Fair Value Hierarchy and the Reporting Entity's Policy for Determining when Transfers between Levels are Deemed to have Occurred for Recurring Fair Value Measurements

There is no such item.

8.7 Change in the Valuation Technique and the Reason(s) for Such Changes

There is no such item.

8.8 Financial Assets or Financial Liabilities which are not Measured at Fair Value

There is no such item.

8.9 Others

There is no such item.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Recognition criteria for related parties:

- One party controls, jointly controls or has significant influence on the other; and
- Two or over two parties are controlled or jointly controlled by the same party.

9.1 Basic Information of Parent Company

Name of the parent	Registered address	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	Huzhou	100.00	100.00

The **Company's** ultimate controlling party is State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government.

9.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

9.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

- (b) Details of other joint ventures or associates trading with the **Company** during the reporting period, or with outstanding balances arising in prior periods:

There is no such item.

9.4 Other Related Parties of the Company

Name	Relationship with the Company
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Associates
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	Associates

9.5 Related Party Transactions

- (a) Purchases or sales of goods, rendering or receiving of services

There is no such item.

- (b) Entrustment/Contracting

There is no such item.

- (c) Leases

There is no such item.

- (d) Guarantees

- (d.1) The **Company** as guarantor:

Guarantor	Guarantee	Guarantee amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	30,045.00	From 31 Mar. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	18,670.70	From 8 Jan. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	2,566.70	From 22 Jan. 2021 to 21 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	1,211.70	From 25 Mar. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	5,437.60	From 13 Aug. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	3,263.50	From 3 Dec. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	309.10	From 25 Jan. 2022 to 25 Jan. 2023	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	7,609.30	From 26 Jan. 2022 to 7 Jan. 2026	Not yet

Guarantor	Guarantee	Guarantee amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	2,500.00	From 26 May 2022 to 26 May 2023	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	1,721.90	From 22 Apr. 2022 to 22 Apr. 2023	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	469.00	From 2 Apr. 2022 to 1 Apr. 2023	Not yet
Total		73,804.50		

(d.2) The **Company** as guarantee:

Guarantor	Guarantee	Guaranteed amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	100,000.00	From 30 Mar. 2022 to 19 Mar. 2023	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.; Huzhou Nantaihu Tourism Development Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	300,000.00	From 11 Mar. 2022 to 11 Mar. 2024	Not yet
Huzhoujia Energy Petroleum and Chemical Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	200,000.00	From 21 Jan. 2022 to 12 Jan. 2024	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	300,000.00	From 23 Feb. 2022 to 23 Feb. 2027	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	197,000.00	From 26 Jan. 2022 to 26 Jan. 2023	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	203,000.00	From 11 Feb. 2022 to 11 Feb. 2023	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	200,000.00	From 17 Feb. 2022 to 30 Nov. 2022	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Zhejiang Huzhou Huantaihu Group Co., Ltd.	110,000.00	From 19 Nov. 2020 to 19 Nov. 2023	Not yet
Huzhou Xincheng Public Engineering Co., Ltd.	Huzhou Xisaishan Development and Construction Co., Ltd.	125,000.00	From 7 Jan. 2021 to 7 Jan. 2024	Not yet
Huzhou Industrial Investment and Development Group	Huzhou Nantaihu Scientific Innovation Construction and	118,500.00	From 21 Dec. 2021 to 10 May 2024	Not yet

Guarantor	Guarantee	Guaranteed amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Co., Ltd.	Development Co., Ltd.			
Total		1,853,500.00		

(e) Borrowings and lendings

There is no such item.

(f) Transfers of assets and debt restructuring

There is no such item.

(g) Key management personnel compensation

There is no such item.

(h) Other related party transactions

There is no such item.

9.6 Receivables and Payables with Related Parties

(a) Receivables

There is no such item.

(b) Payables

Items	Related parties	30 Jun. 2022	31 Dec. 2021
Other payables	Huzhou Nantaihu Construction Investment Management Co., Ltd.	380,000,000.00	380,000,000.00

9.7 Commitments with Related Parties

There is no such item.

9.8 Others

There is no such item.

10. COMMITMENTS AND CONTINGENCIES

10.1 Significant Commitments

As at 30 June 2022, the **Company** has no significant commitments need to be disclosed.

10.2 Contingencies

Significant contingencies existing at the balance sheet date:

(a) Contingent liabilities arising from outstanding litigations and the estimate of the financial effects:

There is no such item.

(b) Contingent liabilities resulting from debt guarantees of other entities and the estimate of the financial effects

Guarantor	Guarantee	Guarantee period	Guaranteed amount ('000)	Whether the guarantee has been fulfilled
Huzhou Economic	Huzhou Industrial	From 29 Mar.	400,000.00	Not yet

Guarantor	Guarantee	Guarantee period	Guaranteed amount ('000)	Whether the guarantee has been fulfilled
Development Group Co., Ltd.	Investment and Development Group Co., Ltd.	2022 to 28 Oct. 2022		
Huzhou Economic Development Group Co., Ltd.	Huzhou Nantaihu Tourism Development Co., Ltd.	From 30 Aug. 2021 to 30 Aug. 2022	50,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 24 Mar. 2022 to 15 Dec. 2022	190,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 24 Mar. 2022 to 15 Dec. 2022	190,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 28 Feb. 2022 to 27 Feb. 2023	70,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 27 Jun. 2022 to 27 Jun. 2025	160,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 29 Jun. 2022 to 20 Feb. 2023	150,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 15 May 2019 to 15 May 2024	200,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.; Huzhou Xisaishan Development and Construction Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 17 Nov. 2021 to 17 Nov. 2022	171,000.00	Not yet
Zhejiang Huzhou Heartache Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 27 Apr. 2020 to 26 Apr. 2022	100,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 17 Mar. 2020 to 16 Mar. 2022	50,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	From 9 Dec. 2021 to 8 Dec. 2022	60,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	From 7 Jan. 2021 to 7 Jan. 2024	130,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xinyuan Development and Construction Co., Ltd.	From 30 Mar. 2022 to 29 Mar. 2023	100,000.00	Not yet
Huzhou Xisaishan	Huzhou Xincheng	From 17 Jun. 2022	75,500.00	Not yet

Guarantor	Guarantee	Guarantee period	Guaranteed amount ('000)	Whether the guarantee has been fulfilled
Development and Construction Co., Ltd.	Public Engineering Co., Ltd.	to 17 Jun. 2023		
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	From 27 Mar. 2019 to 19 Jan. 2046	37,400.00	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	From 6 Feb. 2017 to 19 Jan. 2046	112,000.00	Not yet
Total			2,245,900.00	

(c) Other contingent liabilities and the corresponding financial effects

There is no such item.

10.3 Others

There is no such item.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Significant Non-adjusting Events

There is no such item.

11.2 Profit Distribution

There is no such item.

11.3 Sales Returns

There is no such item.

11.4 Others

There is no such item.

12. OTHER SIGNIFICANT MATTERS

There is no such item.

13. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

13.1 Other Receivables

(a) Other receivables by category

Items	30 Jun. 2022	31 Dec. 2021
Interest receivable		
Dividend receivable		
Other receivables	10,610,411,634.70	6,922,431,211.18
Total	10,610,411,634.70	6,922,431,211.18

(b) Interest receivable

(b.1) Interest receivable by category

There is no such item.

(b.2) Significant overdue interest

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other receivables

(d.1) Other receivables by aging

Aging	30 Jun. 2022	31 Dec. 2021
Within 1 year (including 1 year)	6,430,836,788.46	4,066,326,341.41
1 to 2 years	2,192,725,642.18	2,152,499,126.33
2 to 3 years	1,295,100,288.26	1,285,000.00
Over 3 years	724,935,697.74	723,650,697.74
Subtotal	10,643,598,416.64	6,943,761,165.48
Less: Provision for bad debt	33,186,781.94	21,329,954.30
Total	10,610,411,634.70	6,922,431,211.18

(d.2) Other receivables by bad debt provision method

(d.2.1) As at 30 June 2022, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	10,643,598,416.64	33,186,781.94	10,610,411,634.70
Stage 2			
Stage 3			
Total	10,643,598,416.64	33,186,781.94	10,610,411,634.70

(d.2.1.1) As at 30 June 2022, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	10,643,598,416.64	0.31	33,186,781.94	10,610,411,634.70
Portfolio 1: Receivables due from related party customers within the scope of consolidation of Jinkai Group	6,218,300,259.10			6,218,300,259.10
Portfolio 2: Receivables due from other related party customers and government customers	4,296,324,159.10	0.50	21,481,620.80	4,274,842,538.30
Portfolio 3: A portfolio of underlying expected credit losses based on the aging sheet	128,973,998.44	9.08	11,705,161.14	117,268,837.30
Total	10,643,598,416.64	0.31	33,186,781.94	10,610,411,634.70

(d.2.1.1.1) As at 30 June 2022, other receivables with provision for bad debt recognized individually:

There is no such item.

(d.2.1.1.2) As at 30 June 2022, details of other receivables in Portfolio 1 are as follows:

Aging	30 Jun. 2022		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	2,469,242,802.61		
1 to 2 years	1,154,690,523.29		
2 to 3 years			
Over 3 years			
Total	3,623,933,325.90		

(d.2.1.1.3) As at 30 June 2022, details of other receivables in Portfolio 2 are as follows:

Aging	30 Jun. 2022		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	1,957,125,543.96	9,785,627.72	0.50
1 to 2 years	1,218,954,314.36	6,094,771.57	0.50
2 to 3 years	395,308,603.04	1,976,543.02	0.50
Over 3 years	724,935,697.74	3,624,678.49	0.50
Total	4,296,324,159.10	21,481,620.80	0.50

(d.2.1.1.3) As at 30 June 2022, details of other receivables in Portfolio 3 are as follows:

Aging	30 Jun. 2022		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	23,844,774.00	1,192,238.70	5.00
1 to 2 years	105,129,224.44	10,512,922.44	10.00
2 to 3 years			
Over 3 years			
Total	128,973,998.44	11,705,161.14	9.08

(d.2.1.2) As at 30 June 2022, provision for bad debt at stage 2:

There is no such item.

(d.2.1.3) As at 30 June 2022, provision for bad debt at stage 3:

There is no such item.

(d.2.2) As at 31 December 2021, the provision for bad debts is accrued based on the incurred loss model as follows:

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	6,943,761,165.48	21,329,954.30	6,922,431,211.18
Stage 2			
Stage 3			
Total	6,943,761,165.48	21,329,954.30	6,922,431,211.18

(d.2.2.1) As at 31 December 2021, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	6,943,761,165.48	0.31	21,329,954.30	6,922,431,211.18
Portfolio 1: Receivables due from related party customers within the scope of consolidation of Jinkai Group	3,623,933,325.90			3,623,933,325.90
Portfolio 2: Receivables due from other related party customers and government customers	3,214,698,615.14	0.50	16,073,493.08	3,198,625,122.06
Portfolio 3: A portfolio of underlying expected credit losses based on the aging sheet	105,129,224.44	5.00	5,256,461.22	99,872,763.22
Total	6,943,761,165.48	0.30	21,329,954.30	6,922,431,211.18

(d.2.2.1.1) As at 31 December 2021, other receivables with provision for bad debt recognized individually:

There is no such item.

(d.2.2.1.2) As at 31 December 2021, details of other receivables in Portfolio 1 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	2,469,242,802.61		
1 to 2 years	1,154,690,523.29		
2 to 3 years			
Over 3 years			
Total	3,623,933,325.90		

(d.2.2.1.3) As at 31 December 2021, details of other receivables in Portfolio 2 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	1,491,954,314.36	7,459,771.57	0.50
1 to 2 years	997,808,603.04	4,989,043.02	0.50
2 to 3 years	1,285,000.00	6,425.00	0.50
Over 3 years	723,650,697.74	3,618,253.49	0.50
Total	3,214,698,615.14	16,073,493.08	0.50

(d.2.2.1.4) As at 31 December 2021, details of other receivables in Portfolio 3 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	105,129,224.44	5,256,461.22	5.00
1 to 2 years			
2 to 3 years			
Over 3 years			
Total	105,129,224.44	5,256,461.22	5.00

(d.2.2.2) As at 31 December 2021, provision for bad debt at stage 2:

There is no such item.

(d.2.2.3) As at 31 December 2021, provision for bad debt at stage 3:

There is no such item.

(d.3) Provision, recovery or reversal of bad debt

Category	31 Dec. 2021	Changes during the reporting period			30 Jun. 2022
		Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt recognized by portfolio	21,329,954.30	11,856,827.64			33,186,781.94
Total	21,329,954.30	11,856,827.64			33,186,781.94

(d.4) Other receivables written-off during the reporting period

There is no such item.

(d.5) Other receivables relating to government grants

There is no such item.

(d.6) Derecognition of other receivables for transfer of financial assets

There is no such item.

(d.7) Assets or liabilities formed due to other receivables transferred but still involved

There is no such item.

13.2 Long-term Equity Investments

Items	30 Jun. 2022			31 Dec. 2021		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	19,650,166,368.50		19,650,166,368.50	19,643,466,368.50		19,643,466,368.50
Joint ventures and associates						
Total	19,650,166,368.50		19,650,166,368.50	19,643,466,368.50		19,643,466,368.50

(a) Investments in subsidiaries

Investees	31 Dec. 2021	Increase during the reporting period	Decrease during the reporting period	30 Jun. 2022	Provision for impairment during the reporting period	Provision for impairment at 30 Jun. 2022
Zhejiang Huzhou Huantaihu Group Co., Ltd.	11,380,683,505.89			11,380,683,505.89		
Huzhou Xisaishan Development and Construction Co., Ltd.	8,262,782,862.61			8,262,782,862.61		
Zhejiang Huzhou Kaixin Digital Technology Co., Ltd.		6,700,000.00		6,700,000.00		
Total	19,643,466,368.50	6,700,000.00		19,650,166,368.50		

(b) Investments in joint ventures and associates

There is no such item.

Name of the **Company**: Huzhou Economic Development Group Co., Ltd.

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 30 November 2022

Auditor's Report

Huzhou Economic Development Group Co., Ltd.

RSM SZ [2022] No.310Z0110

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditor's Report

RSM SZ [2022] No.310Z0110

To the Shareholders of Huzhou Economic Development Group Co., Ltd.:

Opinion

We have audited the financial statements of Huzhou Economic Development Group Co., Ltd. (hereafter referred to as "**Huzhou Economic Group Company**"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2021, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying **Huzhou Economic Group Company's** financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing (CSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Huzhou Economic Group Company** in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of **Huzhou Economic Group Company** (hereafter referred to as "**Management**") is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards of Business Enterprises, and for the design, implementation and maintenance of such internal control as **Management** determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, **Management** is responsible for assessing **Huzhou Economic Group Company's** ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless **Management** either intends to liquidate **Huzhou Economic Group Company** or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing **Huzhou Economic Group Company's** financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by **Management**.
- iv) Conclude on the appropriateness of **Management's** use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on **Huzhou Economic Group Company's** ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause **Huzhou Economic Group Company** to cease to continue as a going concern.
- v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

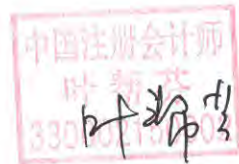
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within **Huzhou Economic Group Company** to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(There is no text below, which is the signature and stamp page of RSM SZ [2022] No.310Z0110, Huzhou Economic Development Group Co., Ltd.'s audit report.)



China·Beijing



Name of CPA: 叶帮芬

China Certified Public accountant



Name of CPA: 陈志敏

China Certified Public accountant

Date: 28 April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Prepared by: Huizhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	31 Dec. 2021	31 Dec. 2020	Item	Note	31 Dec. 2021	31 Dec. 2020
Current assets:				Current liabilities:			
Cash and cash equivalents	5.1	4,213,825,721.79	4,915,243,804.91	Short-term borrowings	5.22	3,883,094,591.85	3,972,000,000.00
Held-for-trading financial assets	5.2	135,774,520.55	Not applicable	Held-for-trading financial liabilities		-	Not applicable
Financial assets at fair value through profit or loss	Not applicable	-	-	Financial liabilities at fair value through profit or loss		Not applicable	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable	5.3	-	40,000,000.00	Notes payable	5.23	24,335,088.00	79,450,000.00
Accounts receivable	5.4	1,664,287,611.66	1,037,337,367.78	Accounts payable	5.24	860,583,254.42	430,661,512.34
Accounts receivable financing		-	Not applicable	Advances from customers	5.25	17,263,690.43	297,304,643.99
Prepayments	5.5	621,453,267.58	1,406,718.51	Contract liabilities	5.26	253,529,745.56	Not applicable
Other receivables	5.6	11,825,205,475.41	9,997,342,549.52	Employee benefits payable	5.27	1,155,499.31	470,865.94
Including Interest receivable		-	63,559,229.72	Taxes payable	5.28	285,550,060.52	283,843,682.76
Dividend receivable		-	-	Other payables	5.29	1,553,734,645.11	1,637,425,513.99
Inventories	5.7	41,673,234,080.84	37,954,098,300.92	Including: Interest payable		-	344,820,608.31
Contract assets		-	Not applicable	Dividend payable		947,222.22	-
Classified as assets held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year	5.30	11,286,058,012.96	9,444,871,008.94
Other current assets	5.8	49,683,224.24	6,671,884.99	Other current liabilities	5.31	11,232,438.53	-
Total current assets		60,183,463,902.07	53,952,100,626.63	Total current liabilities		18,176,537,026.69	16,146,027,227.96
Non-current assets:				Non-current liabilities:			
Debt investments	5.9	-	Not applicable	Long-term borrowings	5.32	6,545,995,916.49	11,607,496,627.48
Available-for-sale financial assets	5.10	Not applicable	496,294,910.11	Bonds payable	5.33	13,276,590,343.95	7,537,010,329.94
Other debt investments		-	Not applicable	Including: Preference shares		-	-
Held-to-maturity investments		Not applicable	-	Perpetual bonds		-	-
Long-term receivables	5.11	156,681,488.84	697,716,289.84	Lease liabilities		-	Not applicable
Long-term equity investments	5.12	1,556,730,175.46	1,440,419,708.23	Long-term payables	5.34	5,523,731,040.90	3,158,226,324.42
Other equity instrument investments	5.13	289,048,000.00	Not applicable	Long-term employee benefits payable		-	-
Other non-current financial assets	5.14	591,003,327.11	Not applicable	Estimated liabilities		-	-
Investment properties	5.15	2,413,040,143.62	2,100,033,304.99	Deferred income		-	-
Property, plant and equipment	5.16	1,858,024,338.92	674,351,321.38	Deferred tax liabilities	5.20	224,659,208.11	210,799,665.03
Construction in progress	5.17	236,352,541.25	183,844,563.85	Other non-current liabilities	5.35	1,506,053,387.38	2,548,980,589.63
Productive biological assets		-	-	Total non-current liabilities		27,077,029,896.83	25,062,513,536.50
Oil and gas assets		-	-	Total liabilities		45,253,566,923.52	41,208,540,764.46
Right-of-use assets		-	Not applicable	Owners' equity:			
Intangible assets	5.18	68,557,422.08	78,486,065.63	Paid-in capital	5.36	500,000,000.00	500,000,000.00
Research and development expenditure		-	-	Other equity instruments	5.37	500,000,000.00	-
Goodwill		-	-	Including: Preference shares		-	-
Long-term deferred expenses	5.19	134,776,887.75	119,896,115.22	Perpetual bonds		500,000,000.00	-
Deferred tax assets	5.20	25,134,309.78	12,141,938.35	Capital reserves	5.38	16,939,993,013.31	14,291,098,223.21
Other non-current assets	5.21	887,414,894.00	1,292,965,019.55	Less: Treasury stock		-	-
Total non-current assets		8,216,763,528.81	7,096,149,237.15	Other comprehensive income	5.39	465,185,487.89	433,674,465.40
				Specific reserves		-	-
				Surplus reserves	5.40	203,475,077.26	206,932,044.90
				Retained earnings	5.41	3,275,375,337.49	2,989,416,040.60
				Total owner's equity attributable to parent company		21,884,028,915.95	18,421,120,774.11
				Non-controlling interests		1,262,631,591.41	1,418,588,325.21
				Total owners' equity		23,146,660,507.36	19,839,709,099.32
Total assets		68,400,227,430.88	61,048,249,863.78	Total liabilities and owners' equity		68,400,227,430.88	61,048,249,863.78

Legal Representative:

Chief Financial Officer:

Finance Manager:



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER**

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2021	2020
I. Revenue	5.42	2,420,303,024.59	3,091,862,632.36
Less: Costs of sales	5.42	2,174,971,232.48	2,838,253,135.56
Taxes and surcharges	5.43	12,636,585.23	16,671,102.87
Selling and distribution expenses		3,013,427.93	2,442,063.74
General and administrative expenses		152,291,741.52	133,203,195.45
Research and development expenses		-	-
Finance costs	5.44	146,185,602.11	128,567,924.79
Including: Interest expenses		167,526,852.92	129,913,932.77
Interest income		37,950,376.42	34,738,819.98
Add: Other income	5.45	424,136,582.88	379,047,393.73
Investment income/(losses)	5.46	5,711,372.28	13,091,977.72
Including: Investment income from associates and joint ventures		-271,432.77	11,225,857.28
Derecognition income of financial assets measured at amortized cost		-	Not applicable
Income (losses) from net exposure hedging		-	Not applicable
Gains (losses) from changes in fair values	5.47	26,043,008.67	64,723,155.48
Credit impairment losses	5.48	-21,551,068.05	Not applicable
Impairment loss of assets	5.49	-	2,674,572.28
Gains (losses) from disposal of assets		-	-
II. Profit/(loss) from operations		365,544,331.10	432,462,309.16
Add: Non-operating income	5.50	223,576.59	1,329,501.15
Less: Non-operating expenses	5.51	794,911.24	7,605,816.41
III. Profit/(loss) before tax		364,972,996.45	426,185,993.90
Less: Income tax expenses	5.52	6,814,490.30	27,735,455.97
IV. Net profit/(loss) for the year		358,158,506.15	398,450,537.93
(I) Net profit/(loss) by continuity		-	-
Net profit/(loss) from continuing operation		358,158,506.15	398,450,537.93
Net profit/(loss) from discontinued operation		-	-
(II) Net profit/(loss) by ownership attribution		-	-
Attributable to owners of the parent		354,815,116.19	398,867,428.71
Attributable to non-controlling interests		3,343,389.96	-416,890.78
V. Other comprehensive income for the year, after tax		31,511,022.49	88,731,798.46
(a) Attributable to owners of the parent		31,511,022.49	88,731,798.46
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1. Remeasurement of the net defined benefit liability (asset)		-	-
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit or loss		-	-
3. Changes in the fair value of other equity instrument investments		-	Not applicable
4. Changes in fair value of the enterprise's own credit risk		-	Not applicable
(ii) Items that may be reclassified subsequently to profit or loss		31,511,022.49	88,731,798.46
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss		-	-
2. Changes in the fair value of other debt investments		-	Not applicable
3. Gains/(losses) arising from changes in fair value of available-for-sale financial assets		Not applicable	-
4. Amount of financial assets reclassified and included in other comprehensive income		-	Not applicable
5. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		Not applicable	-
6. Credit impairment reserves of other debt investments		-	Not applicable
7. The effective portion of the gains/losses on cash flow hedge		-	-
8. Exchange differences on translating foreign operations		9,496,064.53	40,963,058.63
9. The real estates for own use or as inventories are transformed into the investment properties which adopts the fair value model for subsequent measurement		22,014,957.96	47,768,759.83
(b) Attributable to non-controlling interests		-	-
VI. Total comprehensive income for the year		389,669,528.64	487,182,336.39
Attributable to owners of the parent		386,326,138.68	487,599,227.17
Attributable to non-controlling interests		3,343,389.96	-416,890.78
VII. Earnings per share:			
Basic earnings per share		-	-
Diluted earnings per share		-	-

Legal Representative:

Chief Financial Officer:

Finance Manager:



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CONSOLIDATED STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED 31 DECEMBER**

Prepared by: Hunan Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2021	2020
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		1,853,503,191.81	3,634,412,650.40
Refund of tax and levies		54,170,705.40	18,559,323.84
Other cash received relating to operating activities		1,002,691,689.29	13,455,082,375.89
Sub-total of cash inflows from operating activities		2,910,365,586.50	17,108,054,350.13
Cash paid for received commodities or labor		6,026,956,545.81	6,110,433,198.16
Cash paid to and for employees		40,535,511.43	40,777,390.97
Payments of all types of taxes		21,957,295.20	22,196,413.72
Other cash paid relating to operating activities		605,717,686.08	13,219,863,665.27
Sub-total of cash outflows from operating activities		6,695,167,038.51	19,393,270,668.12
Net cash flows from operating activities		-3,784,801,452.01	-2,285,216,317.99
II. Cash flows from investing activities			
Cash received from disposal of investments		-	6,567,839.55
Cash received from returns on investments		208,284.50	302,536.03
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		-	-
Net cash received from disposals of subsidiaries or other business units		-	-
Other cash received relating to investing activities		-	29,517,341.90
Sub-total of cash inflows from investing activities		208,284.50	36,387,717.48
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		217,284,997.87	725,945,379.02
Cash paid to acquire investments		735,081,840.45	1,171,708,000.00
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	761,026,248.55
Sub-total of cash outflows from investing activities		952,366,838.32	2,658,679,627.57
Net cash flows from investing activities		-952,158,553.82	-2,622,291,910.09
III. Cash flows from financing activities			
Cash received from capital contributions		1,466,355,990.10	1,530,000,000.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries		90,700,000.00	1,230,000,000.00
Cash received from borrowings		16,577,254,000.00	15,944,910,000.00
Other cash received relating to financing activities		7,174,389,130.20	6,683,471,480.42
Sub-total of cash inflows from financing activities		25,217,999,120.30	24,158,381,480.42
Cash repayments of amounts borrowed		15,264,473,292.34	12,732,796,707.64
Cash payments for dividends, distribution of profit or interest expenses		1,772,370,371.69	2,545,632,556.08
Including: Cash payments for dividends and distribution of profit to minority shareholders		-	-
Other cash payments relating to financing activities		3,287,859,926.00	3,538,875,003.70
Sub-total of cash outflows from financing activities		20,324,703,590.03	18,817,304,267.42
Net cash flows from financing activities		4,893,295,530.27	5,341,077,213.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-1,283,470.71	-22,451,528.45
V. Net increase / (decrease) in cash and cash equivalents		155,052,053.73	411,117,456.47
Plus: Cash and cash equivalents at the beginning of the period		2,020,580,774.91	1,609,463,318.44
VI. Cash and cash equivalents at the end of the period		2,175,632,828.64	2,020,580,774.91

Legal Representative:



Chief Financial Officer:



Finance Manager:



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Unit: Yuan Currency: CNY

2021													
Owners' equity attributable to the parent company													
	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Sub-total	Non-controlling interests	Total owners' equity
		Preference shares	Perpetual capital securities	Others									
I. Balance at 31 December 2020	500,000,000.00	-	-	-	14,291,098,223.21	-	433,674,465.40	-	206,932,044.90	2,989,416,040.60	18,421,120,774.11	1,418,588,325.21	19,839,709,099.32
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-3,456,967.64	-40,111,819.25	-43,568,786.89	-123.76	-43,568,910.65
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-0.00	-0.00	-	-0.00
II. Balance at 1 January 2021	500,000,000.00	-	-	-	14,291,098,223.21	-	433,674,465.40	-	203,475,077.26	2,949,304,221.35	18,377,551,987.22	1,418,588,201.45	19,796,140,188.67
III. Changes in equity during the reporting period	-	-	-	-	2,648,894,790.10	-	31,511,022.49	-	-	326,071,116.14	3,506,476,928.73	-155,956,610.04	3,350,520,318.69
(i) Total comprehensive income	-	-	-	-	-	-	31,511,022.49	-	-	354,815,116.19	386,326,138.68	3,343,389.96	389,669,528.64
(ii) Capital contributions or withdrawals by owners	-	-	-	-	2,635,394,790.10	-	-	-	-	-	3,135,394,790.10	90,700,000.00	3,226,094,790.10
1. Ordinary shares contributed by owners	-	-	-	-	-	-	-	-	-	-	-	90,700,000.00	90,700,000.00
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	2,635,394,790.10	-	-	-	-	-	3,135,394,790.10	-	3,135,394,790.10
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-28,744,000.05	-28,744,000.05	-	-28,744,000.05
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-10,020,000.00	-10,020,000.00	-	-10,020,000.00
3. Others	-	-	-	-	-	-	-	-	-	-18,724,000.05	-18,724,000.05	-	-18,724,000.05
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	13,500,000.00	-	-	-	-	-	13,500,000.00	-250,000,000.00	-236,500,000.00
IV. Balance at 31 December 2021	500,000,000.00	-	500,000,000.00	-	16,939,993,013.31	-	465,185,487.89	-	203,475,077.26	3,275,375,337.49	21,884,028,915.95	1,262,631,591.41	23,146,660,507.36

Legal Representative:

Chief Financial Officer:

Finance Manager:

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Unit: Yuan Currency: CNY

Prepared by: Huzhou Legend Development Group Co., Ltd.

Item	2020										Total owners' equity
	Owners' equity attributable to the parent company										Non-controlling Interests
	Paid-in capital	Preference shares	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Sub-total	
			Perpetual capital securities								
I. Balance at 31 December 2019	200,000,000.00	-	-	13,884,206,873.77	-	344,942,666.94	-	206,932,044.90	2,613,298,611.89	17,599,380,197.50	108,333,843.14
Add: Changes in accounting policies											
Correction of prior period errors											
Business combination under common control											
Others											
II. Balance at 1 January 2020	200,000,000.00	-	-	13,884,206,873.77	-	344,942,666.94	-	206,932,044.90	2,613,298,611.89	17,599,380,197.50	108,333,843.14
III. Changes in equity during the reporting period	300,000,000.00	-	-	406,891,349.44	-	88,731,798.46	-	-	376,117,428.71	821,740,576.61	1,310,254,482.07
(i) Total comprehensive income											
(ii) Capital contributions or withdrawals by owners	300,000,000.00	-	-	406,891,349.44	-	88,731,798.46	-	-	398,867,428.71	487,599,227.17	-416,890.78
1. Ordinary shares contributed by owners	300,000,000.00	-	-	-	-	-	-	-	-	356,891,349.44	1,219,999,517.87
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payments recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	406,891,349.44	-	-	-	-	-	56,891,349.44	56,891,349.44
(iii) Profit distribution	-	-	-	-	-	-	-	-	-22,750,000.00	-22,750,000.00	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-22,750,000.00	-22,750,000.00	-
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-
(vi) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 31 December 2020	500,000,000.00	-	-	14,291,098,223.21	-	433,674,465.40	-	206,932,044.90	2,989,416,040.60	18,421,120,774.11	90,671,854.98
											1,418,588,325.21
											19,839,709,099.32

Legal Representative:

Chief Financial Officer:

Finance Manager:

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STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	31 Dec. 2021	31 Dec. 2020	Item	Note	31 Dec. 2021	31 Dec. 2020
Current assets:				Current liabilities:			
Cash and cash equivalents		2,206,897,260.38	938,338,747.83	Short-term borrowings		1,019,550,839.38	785,200,000.00
Held-for-trading financial assets		-	Not applicable	Held-for-trading financial liabilities		-	Not applicable
Financial assets at fair value through profit or loss		Not applicable	-	Financial liabilities at fair value through profit or loss		Not applicable	-
Derivative financial assets		-	-	Derivative financial liabilities		-	-
Notes receivable		-	-	Notes payable		-	-
Accounts receivable		-	-	Accounts payable		442,369,061.71	-
Accounts receivable financing		-	Not applicable	Advances from customers		-	-
Prepayments		-	-	Contract liabilities		-	Not applicable
Other receivables	13.1	6,922,431,211.18	3,634,610,347.56	Employee benefits payable		-	47,321.29
Including: Interest receivable		-	33,681,458.33	Taxes payable		103.07	-
Dividend receivable		-	-	Other payables		2,443,698,200.03	2,560,198,743.89
Inventories		-	-	Including: Interest payable		-	32,753,408.70
Contract assets		-	Not applicable	Dividend payable		947,222.22	-
Assets classified as held for sale		-	-	Liabilities classified as held for sale		-	-
Non-current assets maturing within one year		-	-	Non-current liabilities maturing within one year		2,863,505,316.27	715,440,000.79
Other current assets		-	-	Other current liabilities		-	-
Total current assets		8,129,328,471.56	4,572,949,095.39	Total current liabilities		6,769,123,520.46	4,060,886,065.97
Non-current assets:				Non-current liabilities:			
Debt investments		-	Not applicable	Long-term borrowings		50,000,000.00	2,060,263,076.78
Available-for-sale financial assets		Not applicable	-	Bonds payable		2,383,865,000.00	-
Other debt investments		-	Not applicable	Including: Preference shares		-	-
Held-to-maturity investments		Not applicable	-	Perpetual bonds		-	-
Long-term receivables		-	63,903,000.00	Lease liabilities		-	Not applicable
Long-term equity investments	13.2	19,643,466,368.50	19,393,466,368.50	Long-term payables		902,948,124.41	533,244,003.05
Other equity instrument investments		-	Not applicable	Long-term employee benefits payable		-	-
Other non-current financial assets		-	Not applicable	Estimated liabilities		-	-
Investment properties		-	-	Deferred income		-	-
Property, plant and equipment		679,770.99	643,109.53	Deferred tax liabilities		-	-
Construction in progress		3,140,261.04	-	Other non-current liabilities		749,131,250.00	797,570,000.00
Productive biological assets		-	-	Total non-current liabilities		4,085,944,374.41	3,391,077,079.83
Oil and gas assets		-	-	Total liabilities		10,855,067,894.87	7,451,963,145.80
Right-of-use assets		-	Not applicable	Owners' equity:			
Intangible assets		376,613.33	-	Paid-in capital		500,000,000.00	500,000,000.00
Research and development expenditure		-	-	Other equity instruments		500,000,000.00	-
Goodwill		-	-	Including: Preference shares		-	-
Long-term deferred expenses		20,788,235.29	26,435,294.12	Perpetual bonds		500,000,000.00	-
Deferred tax assets		-	-	Capital reserves		16,191,689,743.28	16,191,689,743.28
Other non-current assets		71,803,000.00	-	Less: Treasury stock		-	-
Total non-current assets		19,740,254,249.15	19,484,447,772.15	Other comprehensive income		-	-
				Specific reserves		-	-
				Surplus reserves		-	-
				Retained earnings		-177,174,917.44	-86,256,021.54
				Total owner's equity		17,014,514,825.84	16,605,433,721.74
Total assets		27,869,582,720.71	24,057,396,867.54	Total liabilities and owners' equity		27,869,582,720.71	24,057,396,867.54

Legal Representative:

Chief Financial Officer:

Finance Manager:



**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER**

Prepared by: Huizhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	2021	2020
I. Revenue		-	-
Less: Costs of sales		-	-
Taxes and surcharges		34,625.00	14,625.00
Selling and distribution expenses		-	-
General and administrative expenses		24,954,441.16	17,182,062.65
Research and development expenses		-	-
Finance costs		15,325,474.61	-449,068.00
Including: Interest expenses		16,349,726.03	-
Interest income		4,341,430.93	465,611.18
Add: Other income		3,435.61	2,272.08
Investment income/(losses)		-	-
Including: Investment income from associates and joint ventures		-	-
Derecognition income of financial assets measured at amortized cost		-	Not applicable
Income/(losses) from net exposure hedging		-	Not applicable
Gains/(losses) from changes in fair values		-	-
Credit impairment losses		-12,714,492.99	Not applicable
Impairment loss of assets		-	-1,739.81
Gains/(losses) from disposal of assets		-	-
II. Profit/(loss) from operations		-53,025,598.15	-16,747,087.38
Add: Non-operating income		-	-
Less: Non-operating expenses		535,576.20	2,088,086.00
III. Profit/(loss) before tax		-53,561,174.35	-18,835,173.38
Less: Income tax expenses		-	-
IV. Net profit/(loss) for the year		-53,561,174.35	-18,835,173.38
Net profit/(loss) from continuing operation		-53,561,174.35	-18,835,173.38
Net profit/(loss) from discontinued operation		-	-
V. Other comprehensive income for the year, after tax		-	-
(i) Items that will not be reclassified subsequently to profit or loss		-	-
1. Remeasurement of the net defined benefit liability (asset)		-	-
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss		-	-
3. Changes in the fair value of other equity instrument investments		-	Not applicable
4. Changes in fair value of the enterprise's own credit risk		-	Not applicable
(ii) Items that may be reclassified subsequently to profit or loss		-	-
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss		-	-
2. Changes in the fair value of other debt investments		-	Not applicable
3. Gains/(losses) arising from changes in fair value of available-for-sale financial assets		Not applicable	-
4. Amount of financial assets reclassified and included in other comprehensive income		-	Not applicable
5. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets		Not applicable	-
6. Credit impairment reserves of other debt investments		-	Not applicable
7. The effective portion of the gains /losses on cash flow hedge		-	-
8. Exchange differences on translating foreign operations		-	-
9. The real estates for own use or as inventories are transformed into the investment properties which adopts the fair value model for subsequent measurement		-	-
VI. Total comprehensive income for the year		-53,561,174.35	-18,835,173.38
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative:

Chief Financial Officer:

Finance Manager:



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Items	Note	2021	2020
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		-	-
Refund of tax and levies		-	-
Other cash received relating to operating activities		192,974,902.31	2,349,862,514.79
Sub-total of cash inflows from operating activities		192,974,902.31	2,349,862,514.79
Cash paid for received commodities or labor		-	104,246,984.03
Cash paid to and for employees		190,961.14	10,319,998.88
Payments of all types of taxes		307,160.37	14,625.00
Other cash paid relating to operating activities		3,610,100,006.70	5,099,092,212.33
Sub-total of cash outflows from operating activities		3,610,598,128.21	5,213,673,820.24
Net cash flows from operating activities		-3,417,623,225.90	-2,863,811,305.45
II. Cash flows from investing activities			
Cash received from disposal of investments		-	-
Cash received from returns on investments		-	-
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets		-	-
Net cash received from disposals of subsidiaries or other business units		-	-
Other cash received relating to investing activities		-	-
Sub-total of cash inflows from investing activities		-	-
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		3,536,680.20	31,091,611.75
Cash paid to acquire investments		250,000,000.00	530,000,000.00
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash payments relating to investing activities		-	-
Sub-total of cash outflows from investing activities		253,536,680.20	561,091,611.75
Net cash flows from investing activities		-253,536,680.20	-561,091,611.75
III. Cash flows from financing activities			
Cash received from capital contributions		-	300,000,000.00
Cash received from borrowings		5,419,370,000.00	2,575,500,000.00
Other cash received relating to financing activities		1,389,074,319.78	1,710,215,279.00
Sub-total of cash inflows from financing activities		6,808,444,319.78	4,585,715,279.00
Cash repayments of amounts borrowed		1,881,229,026.78	510,500,000.00
Cash payments for dividends, distribution of profit or interest expenses		44,331,049.70	60,056,576.79
Other cash payments relating to financing activities		415,350,407.98	471,411,275.16
Sub-total of cash outflows from financing activities		2,340,910,484.46	1,041,967,851.95
Net cash flows from financing activities		4,467,533,835.32	3,543,747,427.05
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net increase/(decrease) in cash and cash equivalents		796,373,929.22	118,844,509.85
Plus: Cash and cash equivalents at the beginning of the period		134,338,747.83	15,494,237.98
VI. Cash and cash equivalents at the end of the period		930,712,677.05	134,338,747.83

Legal Representative:



Chief Financial Officer:



Finance Manager:



Unit: Yuan Currency: CNY

Unit: Yuan Currency: CNY

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Future Measures

Chief Financial Officer:

Legal Representative:

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

Item	2020										Unit: Yuan	Currency: CNY
	Paid-in capital	Preference shares	Perpetual capital securities	Others	Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity	
I. Balance at 31 December 2019	200,000,000.00	-	-	-	16,011,689,743.28	-	-	-	-	-67,420,848.16	16,144,268,895.12	
Add: Changes in accounting policy	-	-	-	-	-	-	-	-	-	-	-	
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2020	200,000,000.00	-	-	-	16,011,689,743.28	-	-	-	-	-67,420,848.16	16,144,268,895.12	
III. Changes in equity during the reporting period	300,000,000.00	-	-	-	180,000,000.00	-	-	-	-	-18,835,173.38	461,164,826.62	
(i) Total comprehensive income	-	-	-	-	-	-	-	-	-	-18,835,173.38	-18,835,173.38	
(ii) Capital contributions or withdrawals by owners	300,000,000.00	-	-	-	180,000,000.00	-	-	-	-	-	480,000,000.00	
1. Ordinary shares contributed by owners	300,000,000.00	-	-	-	-	-	-	-	-	-	300,000,000.00	
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	
3. The amount of share-based payments recorded in owners' equity	-	-	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	-	-	
(iii) Profit distribution	-	-	-	-	180,000,000.00	-	-	-	-	-	180,000,000.00	
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	
2. Profit distribution to investors (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	
3. Others	-	-	-	-	-	-	-	-	-	-	-	
(iv) Transfer between equity	-	-	-	-	-	-	-	-	-	-	-	
1. Capital reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	
2. Surplus reserves transfer to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	
3. Surplus reserves used to cover accumulated deficits	-	-	-	-	-	-	-	-	-	-	-	
4. Defined benefit plan transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	
5. Other comprehensive income transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	
6. Others	-	-	-	-	-	-	-	-	-	-	-	
(v) Specific reserves	-	-	-	-	-	-	-	-	-	-	-	
1. Withdrawal during the reporting period	-	-	-	-	-	-	-	-	-	-	-	
2. Usage during the reporting period	-	-	-	-	-	-	-	-	-	-	-	
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	
IV. Balance at 31 December 2020	500,000,000.00	-	-	-	16,191,689,743.28	-	-	-	-	-86,256,021.54	16,605,433,721.74	

Legal Representative:

Chief Financial Officer:

Finance Manager:



Huzhou Economic Development Group Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2021

(All amounts are expressed in Chinese Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY

1.1 Corporate Information

Huzhou Economic Development Group Co., Ltd. (hereinafter referred to as "the **Company**") was a limited liability company wholly set up by Huzhou Xincheng Public Engineering Co., Ltd. on 24 June 2013. The registered capital of the Company was CNY300.00 million, and the Company was called Huzhou Juyuan City Construction Development Co., Ltd. at first. On 22 April 2016, the Company obtained unified social credit code 913305010716498516.

On 12 October 2018, the name of the Company changed from Huzhou Juyuan City Construction Development Co., Ltd. to Huzhou Economic Development Group Co., Ltd. by Huzhou Market Supervision Administration Huzhou Economic and Technological Development Sub-bureau.

On 31 October 2018, according to Huzhou State-owned Assets [2018] No.126 Document, the investor of the Company was changed to State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government by the free transfer of state-owned assets.

On 7 February 2020, State-owned Assets Supervision and Administration Commission of Huzhou Municipal People's Government increased the amount of investment, so that the registered capital of the Company increased to CNY2.00 billion.

As at 31 December 2021, the registered capital of the Company was CNY2.00 billion, and the paid-in capital was CNY500.00 million. The parent company and ultimate controlling owner was State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government with 100.00% shareholding.

Legal representative: Yuyu Shen.

Company Address: Room 2019, Kaitai Building, Huzhou Economic and Technological Development Zone, Huzhou, Zhejiang.

Scope of business: dispatch and management of urban construction funds, construction, development, operation and management of urban infrastructure, supporting facilities construction and social welfare facilities, comprehensive development and operation of real estate, property management and reconstruction of central urban area; development of Huantaihu's water conservancy and agricultural tourism; preliminary development of urban construction land and handling of land transfer matters; market operation

management and service, construction, development and operation of market and school buildings, rental and management of stock assets and parking lot operation. (Projects needed to be approved by laws, and only after the approval of relevant departments can business activities be carried out.)

Date of the approval of financial report: the financial statements were approved by the Company's conference of board of directors on 28 April 2022.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

Sequence Number	Name of subsidiaries	Abbreviation of subsidiaries	Level	Proportion of ownership interest (%)	
				Direct	Indirect
1	Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huantaihu Group Company	First	89.50	
1-1	Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Jinfu Equity Investment Company	Second		100.00
1-2	Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Saiyuan Equity Investment Company	Third		88.1988
1-3	Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou Saihan Equity Company	Third		69.5122
1-4	Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Tiegongshui Logistics Zone Company	Second		90.9091
1-5	Rongyuan International Investment Co., Ltd.	Rongyuan International Company	Second		100.00
1-6	Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Ronghua Electronics Company	Third		100.00
1-7	Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Rongyuan Technology City Company	Second		100.00
1-8	Huantaihu International Investment Co., Ltd.	Huantaihu International Company	Second		100.00
1-9	Huzhou Bonded Logistics Centre Co., Ltd.	Bonded Logistics Company	Second		100.00
1-10	Huzhou Bonded Logistics Centre International Trade Co., Ltd.	Bonded Logistics Centre Company	Third		100.00
1-11	Huzhou Jingkai Property Management Co., Ltd.	Jingkai Property Company	Second		100.00
1-12	Jin Kai Catering Service (Huzhou) Co., Ltd.	Jin Kai Catering Company	Third		100.00
1-13	Huzhou Huanhu Yijia Pension	Huanhu Yijia Company	Second		65.00

Sequence Number	Name of subsidiaries	Abbreviation of subsidiaries	Level	Proportion of ownership interest (%)	
				Direct	Indirect
	Service Co., Ltd.				
1-14	Huzhou Jingkai Hotel Management Co., Ltd.	Jingkai Hotel Company	Second		100.00
1-15	Huzhou Jingkai International Logistics Park Development Co., Ltd.	International Logistics Park Company	Second		100.00
1-16	Huzhou Jingkai Bonded International Trade Co., Ltd.	Jingkai Bonded Company	Third		100.00
1-17	Huzhou Ruijing Trading Co., Ltd.	Ruijing Trading Company	Second		70.00
1-18	Huzhou Jinshi Equity Investment Co., Ltd.	Jinshi Equity Investment Company	Second		100.00
1-19	Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Jinsheng Equity Investment Company	Third		51.0044
1-20	Huzhou Jinkun Equity Investment Partnership (Limited Partnership)	Jinkun Equity Investment Company	Third		100.00
1-21	Huzhou Jinyu Equity Investment Partnership (Limited Partnership)	Jinyu Equity Investment Company	Third		100.00
1-22	Huzhou Jingkai Products Management Co., Ltd.	Jingkai Products Company	Second		100.00
1-23	Huzhou Jingkai Wisdom Parking Management Co., Ltd.	Wisdom Parking Management Company	Third		100.00
1-24	Huzhou Xinchuang Park Development and Operation Co., Ltd.	Xinchuang Park Company	Second		100.00
1-25	Huzhou Jingkai New Energy Technology Co., Ltd.	New Energy Technology Company	Second		65.00
1-26	Huzhou Jingkai Petrochemical Co., Ltd.	Jingkai Petrochemical Company	Second		51.00
2	Huzhou Xisaishan Development and Construction Co., Ltd.	Xisaishan Construction Company	First	100.00	
2-1	Huzhou Chengxi New Rural Construction and Investment Co., Ltd.	Chengxi New Rural Company	Second		100.00
2-2	Huzhou Jingqiao Trading Co., Ltd.	Jingqiao Trading Company	Third		51.00
2-3	Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Nantaihu Kejian Company	Second		100.00
2-4	Huzhou Ruizhong Trade Co., Ltd.	Ruizhong Trade Company	Second		70.00

For details of the subsidiaries mentioned above, please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Reporting period	Reason
1	Huzhou Jinkun Equity Investment Partnership (Limited Partnership)	Jinkun Equity Investment Company	From Aug. to Dec. 2021	Set up
2	Huzhou Jinyu Equity Investment Partnership (Limited Partnership)	Jinyu Equity Investment Company	From Aug. to Dec. 2021	Set up
3	Huzhou Jingkai Wisdom Parking Management Co., Ltd.	Wisdom Parking Management Company	From Jul. to Dec. 2021	Set up
4	Huzhou Xinchuang Park Development and Operation Co., Ltd.	Xinchuang Park Company	From Nov. to Dec. 2021	Set up
5	Huzhou Jingkai New Energy Technology Co., Ltd.	New Energy Technology Company	From Nov. to Dec. 2021	Set up
6	Huzhou Jingkai Petrochemical Co., Ltd.	Jingkai Petrochemical Company	From May to Dec. 2021	Set up

The subsidiaries reduced during the reporting period are as follows:

Sequence number	Name of subsidiaries	Abbreviation of subsidiaries	Reporting period	Reason
1	Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd.	Phoenix Bay Company	From Jan. to Sept. 2021	Cancellation

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* and concrete accounting standards, *Accounting Standards for Business Enterprises - Application Guidelines*, *Accounting Standards for Business Enterprises - Interpretations* and other relevant provisions (collectively known as "*Accounting Standards for Business Enterprises*, issued by Ministry of Finance of PRC").

2.2 Going Concern

The Company has evaluated its capacity to continually operate in the next twelve months from the end of the reporting period, and no other matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following important accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Business not mentioned are executed according to the relevant accounting policies in the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results and cash flows and other related information for the year then ended.

3.2 Accounting Period

The accounting year of the Company is from January 1 to December 31 in calendar year. The accounting period of the financial information of the Company's financial statements is from 1 January 2021 to 31 December 2021.

3.3 Operating Cycle

The normal operating cycle of the Company is one year (twelve months).

3.4 Functional Currency

The Company takes Chinese Yuan ("CNY") as the functional currency.

The Company's overseas subsidiaries choose the currency of the primary economic environment in which the subsidiaries operate as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity in the ultimate controller's consolidated financial statements at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

For the accounting treatment of business combination under common control by step acquisitions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

For the accounting treatment of business combination not under common control by step acquisitions, please refer to *Note 3.6 (f) Accounting for Special Transactions*.

(c) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use the Company's power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the Company has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) Special requirement as the parent company is an investment entity

If the parent company is an investment entity, it should measure its investments in particular subsidiaries as financial assets at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. However, as an exception to this requirement, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated.

The parent company is defined as investment entity when meets following conditions:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

If the parent company becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary which provides investment-related services or activities to the investment entity shall be continued to be consolidated. The deconsolidation of subsidiaries is accounted for as though the investment entity partially disposed subsidiaries without loss of control.

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business combination not under common control.

(c) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group:

- Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.
- Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.
- Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.

- Make adjustments to special transactions from the perspective of the group.

(d) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

(d.1) Addition of subsidiaries or business

(d.1.1) Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

(d.1.2) Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses, and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(d.2) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

(e.1) Long-term equity investment held by the subsidiaries to the Company shall be

recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "Treasury stock" under owner's equity in the statement of financial position.

(e.2) Investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated with the share of the corresponding subsidiary's equity.

(e.3) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Specific reserves" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.

(e.4) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.

(e.5) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "Non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.

(e.6) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(f) Accounting for special transactions

(f.1) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the individual financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration transferred. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the purchasing date or combination date continuingly calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium

or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(f.2) Gaining control over the subsidiary in steps through multiple transactions

(f.2.1) Business combination under common control in steps through multiple transactions

At the combination date, preliminary cost of the long-term investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding percentage. The difference between the preliminary cost of the long-term investment and the carrying amount of the long-term investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve (capital premium or share premium) is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

In the consolidated financial statements, the assets and liabilities of the combined party acquired by the combining party in the merger, except for adjustments due to different accounting principles, they shall be measured pursuant to their carrying amount in the consolidated financial statements of the final control party on the date of consolidation; The sum of the book value of the investment held before merger plus the book value of the consideration paid by the merger on a daily basis, as for the difference between the book value of the net assets obtained in the merger, the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related income or loss, other comprehensive income and other equity movement which have been recognized during the period from the later of the date of the Company obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

(f.2.2) Business combination not under common control in steps through multiple transactions

In individual financial statements, equity investment is always recognized as long-term investment in each transaction prior of the combination date, and the preliminary cost of the investment is determined according to the fair value of the consideration paid.

In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income

should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(f.3) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continuingly calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(f.4) Disposing investment in subsidiaries with controlling right lost

(f.4.1) Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continuingly calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

(f.4.2) Disposal in steps

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without losing control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference between

consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost.

If the terms, conditions, and economic impact of various transactions meet one or more of the following conditions, multiple transactions are usually accounted for as "a package deal":

- These transactions were concluded at the same time or taking into account the influence of each other;
- These transactions as a whole can achieve a complete commercial result;
- The occurrence of one transaction depends on the occurrence of at least one other transaction;
- A transaction is not economical when considered alone, but it is economical when considered together with other transactions.

(f.5) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- Its assets, including its share of any jointly held assets;
- Its liabilities, including its share of any jointly incurred liabilities;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation

(a) Selection of foreign exchange rate when foreign currency transactions occur

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or other approximate exchange rate.

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except "Retained earnings" shall be converted at the spot exchange rates on the occurrence date.
- The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.
- The differences arising from the conversion of financial statements denominated in foreign currency in compliance with the aforesaid principle shall be presented

separately as "Other comprehensive income" under the owners' equity of the consolidated statement of financial position.

In the event of disposal of an overseas operation and loss of control, the balance of translation in foreign currency statements related to the overseas operation as shown below in the owner's equity item of the balance sheet shall be transferred to the disposal of current profits and losses in whole or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

Applicable from 1 January 2021

Financial instrument is any contract which gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Recognition and derecognition of financial instrument

A financial asset or a financial liability should be recognized in the statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

A financial asset can only be derecognized when meets one of the following conditions:

- The rights to the contractual cash flows from a financial asset expire
- The financial asset has been transferred and meets one of the following derecognition conditions:
 - Financial liabilities (or part thereof) are derecognized only when the liability is extinguished - i.e., when the obligation specified in the contract is discharged or cancelled or expires. An exchange of the Company (borrower) and lender of debt instruments that carry significantly different terms or a substantial modification of the terms of an existing liability are both accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Purchase or sale of financial assets in a conventional way shall be recognized and derecognized according to trading date. A conventional way purchase or sale of financial assets is a transaction under a contract whose terms require delivery of the asset within the time frame established generally by regulations or convention in the marketplace concerned. Trade date is the date at which the entity commits itself to purchase or sell an asset.

(b) Classification and measurement of financial assets

At initial recognition, the Company classified its financial asset based on both the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset: financial asset at amortized cost, financial asset at fair value through profit or loss (FVTPL) and financial asset at fair value through other comprehensive income (FVTOCI). Reclassification of financial assets is permitted if, and only if, the objective of the entity's business model for managing those financial assets changes. In this circumstance, all affected financial assets shall be reclassified on

the first day of the first reporting period after the changes in business model; otherwise the financial assets cannot be reclassified after initial recognition.

Financial assets shall be measured at initial recognition at fair value. For financial assets measured at FVTPL, transaction costs are recognized in current profit or loss. For financial assets not measured at FVTPL, transaction costs should be included in the initial measurement. Notes receivable or accounts receivable that arise from sales of goods or rendering of services are initially measured at the transaction price defined in the accounting standard of revenue where the transaction does not include a significant financing component.

Subsequent measurement of financial assets will be based on their categories:

- Financial asset at amortized cost

The financial asset at amortized cost category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. These financial assets are subsequently measured at amortized cost by adopting the effective interest rate method. Any gain or loss arising from derecognition according to the amortization under effective interest rate method or impairment are recognized in current profit or loss.

- Financial asset at fair value through other comprehensive income (FVTOCI)

The financial asset at FVTOCI category of classification applies when both the following conditions are met: the financial asset is held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual term of the financial asset gives rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. All changes in fair value are recognized in other comprehensive income except for gain or loss arising from impairment or exchange differences, which should be recognized in current profit or loss. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to current profit or loss. However, interest income calculated based on the effective interest rate is included in current profit or loss.

The Company make an irrevocable decision to designate part of non-trading equity instrument investments as measured through FVTOCI. All changes in fair value are recognized in other comprehensive income except for dividend income recognized in current profit or loss. At derecognition, cumulative gain or loss are reclassified to retained earnings.

- Financial asset at fair value through profit or loss (FVTPL)

Financial asset except for above mentioned financial asset at amortized cost or financial asset at fair value through other comprehensive income (FVTOCI), should be classified

as financial asset at fair value through profit or loss (FVTPL). These financial assets should be subsequently measured at fair value. All the changes in fair value are included in current profit or loss.

(c) Classification and measurement of financial liabilities

The Company classified the financial liabilities as financial liabilities at fair value through profit or loss (FVTPL), loan commitments at a below-market interest rate and financial guarantee contracts liabilities and financial liabilities at amortized cost.

Subsequent measurement of financial liabilities will be based on the classification:

- **Financial liabilities at fair value through profit or loss (FVTPL)**

Held-for-trading financial liabilities (including derivatives of financial liabilities) and financial liabilities designated at FVTPL are classified as financial liabilities at FVTPL. After initial recognition, any gain or loss (including interest expense) are recognized in current profit or loss except for those hedge accounting is applied. For financial liability that is designated as at FVTPL, changes in the fair value of the financial liability that is attributable to changes in the own credit risk of the issuer shall be presented in other comprehensive income. At derecognition, cumulative gain or loss previously recognized under OCI is reclassified to retained earnings.

- **Loan commitments and financial guarantee contracts liabilities**

Loan commitment is a commitment by the Company to provide a loan to customer under specified contract terms. The provision of impairment losses of loan commitments shall be recognized based on expected credit losses model.

Financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts liability shall be subsequently measured at the higher of: The amount of the loss allowance recognized according to the impairment principles of financial instruments; and the amount initially recognized less the cumulative amount of income recognized in accordance with the revenue principles.

- **Financial liabilities at amortized cost**

After initial recognition, the Company measured other financial liabilities at amortized cost using the effective interest method.

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.

- If a financial instrument must or may be settled in the Company's own equity instruments, it should be considered that the Company's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer; otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the Company's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price of the entity's own equity instruments (such as interest rate, price of some kind of goods or some kind of financial instrument).

(d) Derivatives and embedded derivatives

At initial recognition, derivatives shall be measured at fair value at the date of derivative contracts are signed and subsequently measured at fair value. The derivative with a positive fair value shall be recognized as an asset, and with a negative fair value shall be recognized as a liability.

Gains or losses arising from the changes in fair value of derivatives shall be recognized directly into current profit or loss except for the effective portion of cash flow hedges which shall be recognized in other comprehensive income and reclassified into current profit or loss when the hedged items affect profit or loss.

An embedded derivative is a component of a hybrid contract with a financial asset as a host, the Company shall apply the requirements of financial asset classification to the entire hybrid contract. If a host that is not a financial asset and the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative shall be separated from the hybrid instrument and accounted for as a separate derivative instrument. If the Company is unable to measure the fair value of the embedded derivative at the acquisition date or subsequently at the balance sheet date, the entire hybrid contract is designated as financial assets or financial liabilities at fair value through profit or loss.

(e) Impairment of financial instrument

The Company shall recognize a loss allowance based on expected credit losses on a financial asset that is measured at amortized cost, a debt investment at fair value through other comprehensive income, a contract asset, a lease receivable, a loan commitment and a financial guarantee contract.

(e.1) Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses of the financial instruments with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or the expected lifetime, if the expected life of a financial instrument is less than 12 months).

At each reporting date, the Company classifies financial instruments into three stages and makes provisions for expected credit losses accordingly. A financial instrument of which the credit risk has not significantly increased since initial recognition is at stage 1. The Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired is at stage 2. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. A financial instrument is considered to be credit impaired as at the end of the reporting period is at stage 3. The Company shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date and measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

For financial instrument at stage 1, stage 2 and those have low credit risk, the interest revenue shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset (i.e., impairment loss not been deducted). For financial instrument at stage 3, interest revenue shall be calculated by applying the effective interest rate to the amortized cost after deducting of impairment loss.

For notes receivable, accounts receivable accounts receivable financing and contract assets, no matter it contains a significant financing component or not, the Company shall measure the loss allowance at an amount equal to the lifetime expected credit losses.

(e.1.1) Receivables/Contract assets

For the notes receivable, accounts receivable, other receivables, accounts receivable

financing contract assets and long-term receivables which are demonstrated to be impaired by any objective evidence, or applicable for individual assessment, the Company shall individually assess for impairment and recognize the loss allowance for expected credit losses. If the Company determines that no objective evidence of impairment exists for notes receivable, accounts receivable, other receivables, accounts receivable financing contract assets and long-term receivables, or the expected credit loss of a single financial asset cannot be assessed at reasonable cost, such notes receivable, accounts receivable, other receivables, accounts receivable financing and long-term receivables shall be divided into several groups with similar credit risk characteristics and collectively calculated the expected credit loss. The determination basis of groups is as following:

Determination basis of notes receivable is as following:

Portfolio 1: Commercial acceptance bills

Portfolio 2: Bank acceptance bills

For each portfolio, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of accounts receivable is as following:

Portfolio 1: Receivables due from related party customers within the scope of consolidation of Jinkai Group.

Portfolio 2: Receivables due from other related party customers and government customers.

Portfolio 3: A portfolio of underlying expected credit losses based on the aging sheet.

For each portfolio, the Company calculates expected credit losses through preparing an aging analysis schedule with the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

Determination basis of other receivables is as following:

Portfolio 1: Interest receivable

Portfolio 2: Dividend receivable

Portfolio 3: Receivables due from related party customers within the scope of consolidation of Jinkai Group.

Portfolio 4: Receivables due from other related party customers and government customers.

Portfolio 5: A portfolio of underlying expected credit losses based on the aging sheet.

For each group, the Company calculates expected credit losses through default exposure and the 12-month or lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation

for the future economic situation.

Determination basis of accounts receivable financing is as following:

Portfolio 1: Commercial acceptance bills

Portfolio 2: Bank acceptance bills

For accounts receivable financing, the Company calculates expected credit losses through default exposure and the lifetime expected credit losses rate, taking reference to historical experience for credit losses and considering current condition and expectation for the future economic situation.

(e.1.3) Debt investments and other debt investments

For debt investment and other debt investment, the Company shall calculate the expected credit loss through the default exposure and the 12-month or lifetime expected credit loss rate based on the nature of the investment, counterparty, and the type of risk exposure.

(e.2) Low credit risk

If the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

(e.3) Significant increase in credit risk

The Company shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition, using the change in the risk of a default occurring over the expected life of the financial instrument, through the comparison of the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

To make that assessment, the Company shall consider reasonable and supportable information, that is available without undue cost or effort, and that is indicative of significant increases in credit risk since initial recognition, including forward-looking information. The information considered by the Company are as following:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception
- Existing or forecast adverse change in the business, financial or economic conditions of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the borrower;
An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to

reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise influence the probability of a default occurring;

- Significant change that are expected to reduce the borrower's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument;
- Significant changes in the expected performance and behavior of the borrower;
- Contractual payments are more than 30 days (inclusive) past due.

Depending on the nature of the financial instruments, the Company shall assess whether the credit risk has increased significantly since initial recognition on an individual financial instrument or a group of financial instruments. When assessed based on a group of financial instruments, the Company can group financial instruments on the basis of shared credit risk characteristics, for example, past due information and credit risk rating.

Generally, the Company shall determine the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Company can only rebut this presumption if the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.

(e.4) Credit-impaired financial asset

The Company shall assess at each reporting date whether the credit impairment has occurred for financial asset at amortized cost and debt investment at fair value through other comprehensive income. 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 include observable data about the following events:

Significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(e.5) Presentation of impairment of expected credit loss

In order to reflect the changes of credit risk of financial instrument since initial recognition, the Company shall at each reporting date remeasure the expected credit

loss and recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses addition (or reversal). For financial asset at amortized cost, the loss allowance shall reduce the carrying amount of the financial asset in the statement of financial position; for debt investment at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

(e.6) Write-off

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the contractual cash flow of a financial asset in its entirety or a portion thereof. Such write-off constitutes a derecognition of the financial asset. This circumstance usually occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flow to repay the write-off amount.

Recovery of financial asset written off shall be recognized in profit or loss as reversal of impairment loss.

(f) Transfer of financial assets

Transfer of financial assets refers to following two situations:

- Transfers the contractual rights to receive the cash flows of the financial asset;
- Transfers the entire or a part of a financial asset and retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

(f.1) Derecognition of transferred assets

If the Company transfers substantially all the risks and rewards of ownership of the financial asset, or neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset, the financial asset shall be derecognized.

Whether the Company has retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company has not retained control.

The Company judges whether the transfer of financial asset qualifies for derecognition based on the substance of the transfer.

If the transfer of financial asset qualifies for derecognition in its entirety, the difference between the following shall be recognized in profit or loss:

- The carrying amount of transferred financial asset;
- The sum of consideration received, and the part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The

financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

If the transferred asset is a part of a larger financial asset and the part transferred qualifies for derecognition, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized (For this purpose, a retained servicing asset shall be treated as a part that continues to be recognized) and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between following two amounts shall be recognized in profit or loss:

- The carrying amount (measured at the date of derecognition) allocated to the part derecognized;
- The sum of the consideration received for the part derecognized and part derecognized of the cumulative changes in fair value previously recognized in other comprehensive income (The financial assets involved in the transfer are classified as financial assets at fair value through other comprehensive income in accordance with Article 18 of the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments*).

(f.2) Continuing involvement in transferred assets

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Company shall continue to recognize the transferred asset to the extent of its continuing involvement and also recognize an associated liability.

The extent of the Company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset

(f.3) Continue to recognize the transferred assets

If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company shall continue to recognize the transferred asset in its entirety and the consideration received shall be recognized as a financial liability.

The financial asset and the associated financial liability shall not be offset. In subsequent accounting period, the Company shall continuously recognize any income (gain) arising from the transferred asset and any expense (loss) incurred on the associated liability.

(g) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset. When meets the following conditions, financial assets and financial liabilities shall be offset and the net amount presented in the statement of financial position:

The Company currently has a legally enforceable right to set off the recognized amounts; The Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company shall not offset the transferred asset and the associated liability.

(h) Determination of fair value of financial instruments

Determination of financial assets and financial liabilities please refer to *Note 3.11 Measured at Fair Value*.

The following financial instrument accounting policies are applicable to 2020 and before

(a) Classification of financial assets

(a.1) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes equity, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value and change in fair values is included in the current profit or loss. Difference between the fair value and initial measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(a.2) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(a.3) Receivables

Receivables include accounts receivable, other receivables, etc. Accounts receivable arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the

purchasing party.

(a.4) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment profit or loss.

(b) Classification of financial liabilities

(b.1) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(b.2) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to-maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of *"Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments"*, as a result of which, the remaining of the investment fails to meet the requirements for

classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

If the intention or ability to hold has been changed, fair value measurement is unreliable or the holding period has exceeded two full fiscal years after the held-to-maturity investment is reclassified to available-for-sale financial asset, the Company will measure the available-for-sale financial asset at cost or amortized cost because it is no longer suitable for fair value measurement. The cost or amortized cost is as the financial asset's fair value or carrying value on the date of reclassification.

If the financial asset has fixed maturity, gain or loss related to the financial asset and directly recognized in other comprehensive income will use real interest rate method to amortize during the remaining period, and it is included in current profit or loss. The difference between the financial asset's amortized cost and the amount at maturity will use real interest rate method to amortize during the remaining period, and it is included in current profit or loss. If the financial asset has no fixed maturity, gain or loss related to the financial asset and directly recorded in other comprehensive income will be retained in owner's equity, which will be transferred out and recognized as current profit or loss when the financial asset is disposed.

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are

calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price (such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(e) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(e.1) Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset. If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair

value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(e.2) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the company faces when the value of the financial assets' changes.

(e.3) Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the Company should continue to confirm the income generated by the financial assets and the expenses incurred by the financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied:

- The Company has a legal right to offset the recognized amounts, and the right is executable at present; and
- The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

(h.1) Objective evidence for the impairment of the financial assets:

- The issuer or debtor encounters serious financial difficulties;
- The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
- The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;
- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged decline in the fair value of equity instrument, for example, the fair value of an equity instrument investment on the balance sheet date is more than 50.00% (inclusive) below its initial investment cost or less than its initial investment cost for more than 12 months (inclusive).

Less than its initial investment cost for more than 12 months (inclusive) means that the monthly average fair value of equity instrument investment is continuously lower than its initial investment cost for 12 months;

- Other objective evidence that indicates impairment of financial assets.

(h.2) Impairment provision of the financial assets (excluding receivables)

(h.2.1) Financial assets measured at amortized cost

When the asset is impaired, the carrying amount of the held-to maturity investment shall be written down to the present value of its expected future cash flows (excluding

future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the held-to-maturity investment, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the held-to-maturity investment is initially recognized. For held-to-maturity investments with floating interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

The Company was carried out on the amortized cost measurement of financial assets impairment test, the amount is greater than or equal to CNY1.00 million of financial assets as a single large sum of financial assets, under this standard as a single amount is not significant financial assets.

The Company shall conduct impairment tests on a single financial asset with a significant amount separately. If there is objective evidence that such asset has experienced impairment, the impairment loss shall be recognized and recorded into the current profit and loss; for single amount is not significant financial assets, impairment test alone or include in combination of financial assets with similar credit risk characteristics in the impairment test.

Separately test the financial assets that have not suffered any impairment (including the financial assets with significant or insignificant amount of a single item), including conducting a further impairment test in the financial asset portfolio with similar credit risk characteristics; Financial assets that have recognized impairment losses separately shall not be included in the impairment test of financial asset portfolios with similar credit risk characteristics.

After the Company recognizes the impairment loss of a financial asset measured at the amortized cost, if there is objective evidence that the value of the financial asset has been restored and is objectively related to the events occurred after the recognition of the loss, the previously recognized impairment loss will be reversed and recorded into the current profit and loss. However, the carrying value after the reversal does not exceed the amortized cost of the financial asset on the day of the reversal assuming no provision for impairment.

(h.2.2) Impairment provision of available-for-sale financial assets

When recognizing impairment loss, the cumulative loss due to decreases in fair value shall be removed from equity to profit or loss. After impairment loss related to an available-for-sale debt instrument has been recognized, interest income of the instrument is calculated at the discount rate used in determining present value of the future cash flows when calculating impairment provision of the instrument.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase is related objectively to an event occurring after

the impairment was recognized, the previously recognized impairment losses are reversed, and included in current profit or loss. The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

(i) Method of determining the fair value of financial assets and financial liabilities

For the detail of method of determining the fair value of financial assets and financial liabilities, please refer to *Note 3.11 Measured at Fair Value*.

3.11 Measured at Fair Value

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

The Company determines fair value of the related assets and liabilities 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 Company using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The principal market refers to the market with the largest trading volume and the highest trading activity of related assets or liabilities; The most advantageous market refers to the market that can sell related assets for the maximum amount or transfer related liabilities for the minimum amount after considering transaction costs and transportation costs.

Where there are financial assets or financial liabilities in an active market, the Company shall determine their fair value by quoting from the active market. If there is no active market for financial instruments, the Company shall use valuation technology to determine their fair value.

At fair value measurement of financial assets, the ability of a market participant to generate economic benefits by using the asset for the best use, or by selling the asset to another market participant who can use it for the best use, is taken into account.

● **Valuation techniques**

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The company measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only when the relevant observable inputs cannot be obtained or impracticable to obtain the unobservable inputs can be used. Observable inputs can be acquired from the market data, which reflect the assumptions used by

market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

- Fair value hierarchy

The Company divides the input value used for fair value measurement into three levels, first using the first level input value, secondly using the second level input value, and finally using the third level input value:

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;

3.12 Receivables

The following receivables accounting policies are applicable to 2020 and before

If the carrying value of the receivables is checked on the balance sheet date and there is objective evidence that the impairment occurs, the impairment provision shall be recognized. Receivables include accounts receivable, other receivables and so on.

(a) Receivable with individually significant balance and recognized provision for bad debts individually

(a.1) Assessment basis or standard of amount individually significant

The amounts of accounts receivable over CNY1.00 million and other receivables over CNY5.00 million is assessed individually significant.

(a.2) Method of provision for bad debts of receivables that are individually significant

After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows and shall be included in current profit or loss.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized on the basis of similar credit risk characteristics

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.

Portfolio 2: Remaining receivables excluding Portfolio 1.

Accrual method for bad debt provision by portfolio:

Portfolio 1: Because the possibility of bad debt loss is very small, no provision is made for bad debt.

Portfolio 2: Based on the actual loss rate of each segment of receivables divided by age of accounts in the previous year, the proportion of bad debt provision for this year's combination of receivables for each segment of accounts shall be determined in combination with the current situation, and the bad debt provision for this year shall be calculated accordingly.

Proportions of provision for bad debts on the basis of aging analysis in portfolios:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
Over 3 years	100.00	100.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, the provision for bad debts based on the aging method cannot reflect the actual situation, and thus they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.13 Inventories

(a) Classification of inventories

Inventories are classified into finished products or commodities held for sale in operating activities, work in progress in producing process, and materials held for use in producing process and service providing process, including raw material, low-value consumption goods, stock goods, land development costs, entrusted construction projects, etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average method.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

Material inventory that needs to be processed, in the normal production and operation process, the net realizable value is determined by the estimated selling price of the finished product minus the estimated costs to be incurred upon completion, the estimated selling expenses and related taxes. If the net realizable value of the finished product produced by it is higher than the cost, the material is measured at cost; if the decline in the price of a material indicates that the net realizable value of the finished product is lower than the cost, the material is measured at the net realizable value, and the inventory depreciation reserve is made based on the difference.

At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis.

If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumables

One-off writing off method is adopted in amortization of low-value consumables.

One-off writing off method is adopted in amortization of package items.

3.14 Contract Assets and Contract Liabilities

Applicable from 1 January 2021

The Company shall present contract assets or contract liabilities in the statement of financial position, depending on the relationship between the Company's satisfying a performance obligation and the customer's payment. A contract asset shall be presented if the Company has the right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability shall be presented if the Company has the obligation to transfer goods or services to a customer for which the Company

has received consideration (or the amount is due) from the customer.

Contract assets and contract liabilities shall be presented separately in the statement of financial position. The contract asset and contract liability for the same contract shall be presented on a net basis. A net balance shall be listed in the item of "Contract assets" or "Other non-current assets" according to its liquidity; a credit balance shall be listed in the item of "Contract liabilities" or "Other non-current liabilities" according to its liquidity. Contract assets and contract liabilities for different contracts cannot be offset.

3.15 Contract Costs

Applicable from 1 January 2021

Contract costs include costs to fulfill a contract and the costs to obtain a contract.

The Company shall recognize an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract, including: direct labor, direct materials, manufacturing costs (or similar costs), costs that are explicitly chargeable to the customer under the contract and other costs that are incurred only because an entity entered into the contract;
- the costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

The incremental costs of obtaining a contract shall be recognized as an asset if the Company expects to recover them.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with the revenue recognition of the goods or services to which the asset relates. The Company recognizes the contract acquisition costs as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

The Company shall accrue the provision for impairment, recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset related to the contract cost exceeds the difference of below two items, and further consider whether the estimated liability related to the onerous contract needs to be accrued:

- the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

The Company shall recognize in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined (net of amortization) if no impairment loss had been recognized previously.

Providing that the costs to fulfil a contract satisfy the requirement to be recognized as an asset, the Company shall present them in the account "Inventories" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

Providing that the costs to obtain a contract satisfy the requirement to be recognized as an asset, the Company shall present them in the account "Other current assets" if the contract has an original expected duration of one year (or a normal operating cycle) or less, or in the account "Other non-current assets" if the contract has an original expected duration of more than one year (or a normal operating cycle).

3.16 Non-current Assets (or Disposal Groups) as Held for Sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the Company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards

related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale. The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.17 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the Company have significant influence on the investee, the investee is an associate of the Company.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-

making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those policies. In determination of significant influence over an investee, the Company should consider not only the existing voting rights directly or indirectly held but also the effect of potential voting rights held by the Company and other entities that could be currently exercised or converted, including the effect of share warrants, share options and convertible corporate bonds that issued by the investee and could be converted in current period.

When the Company directly or indirectly owns more than 20.00% (including 20.00%) but less than 50.00% of the voting equity of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(b.1) Long-term equity investments generated in business combinations

For a business combination involving enterprises under common control, if the Company makes payment in cash, transfers non-cash assets or bears liabilities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, and liabilities assumed shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognized as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.

For business combination not under common control, the assets paid, liabilities incurred or assumed, and the fair value of equity securities issued to obtain the control of the acquiree at the acquisition date shall be determined as the cost of the business

combination and recognized as the initial cost of the long-term equity investment. The audit, legal, valuation and advisory fees, other intermediary fees, and other relevant general administrative costs incurred for the business combination, shall be recognized in profit or loss as incurred.

(b.2) Long-term equity investments acquired by other means

For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.

For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.

For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained. and the difference between the initial investment cost and the book value of the creditor's rights is included in the current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(c.1) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(c.2) Equity method

Generally, for long term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the

investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment profit or losses and other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends Declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment profit or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from intra-group transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment profit or losses shall be recognized. Any losses resulting from intra-group transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

If, for reasons such as additional investment, it can exert significant influence on the investee or implement joint control but does not constitute control, the initial investment cost calculated according to the equity investment originally held plus the sum of the additional investment cost shall be taken as the original investment cost calculated according to the equity method. If the equity investment previously held is classified as a financial asset available for sale (applicable to 2020 and before), the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred to the current profit and loss calculated according to the equity method. If the equity investment previously held is classified as the other equity instrument investment (applicable from 1 January 2021), the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred from the current other comprehensive income to the retained earnings according to the equity method.

If the joint control or significant influence on the invested entity is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be measured at the fair value, and the difference between the fair value and book value on the day of the loss of joint control or significant influence shall be recorded into the current profit or loss. Other comprehensive income of the original equity investment

recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

(d) Equity investment classified as held for sale

For an equity investment, or a portion of an equity investment, in an associate or a joint venture is classified as held for sale, stop using equity method to account, and relevant accounting treatment please refer to *Note 3.16 Non-current Assets (or Disposal Groups) as Held for Sale*.

Any retained interest in the equity investment not classified as held for sale, shall be accounted for using equity method until it is sold.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it shall be accounted for using the equity method retrospectively as from the date of its classification as held for sale. Financial statements for the periods since classification as held for sale shall be amended accordingly.

(e) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or joint ventures, provision for impairment loss please refer to *Note 3.23 Impairment of Long-term Assets*.

3.18 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- Land use right leased out;
- Land held for transfer upon appreciation;
- Buildings leased out.

(b) The measurement model of investment property

The Company adopts the fair value model for subsequent measurement of investment properties.

The company's investment property is located in active real estate market, and the Company can obtain the same or similar market price from the real estate market and other related information, so that they can make a reasonable estimate of the fair value of the investment property, so the Company using fair value model for subsequent measurement for the investment property, changes in fair value are recorded into current profits and losses.

When determining the fair value of an investment property, reference shall be made to the current market price of the same or similar property in the active market; If it is impossible to obtain the current market price of the same or similar property, it shall make a reasonable estimate of the fair value of the investment property by referring to the recent transaction price of the same or similar real estate in the active market and

taking into account such factors as the transaction situation, transaction date and location; Or determine its fair value based on the expected future rental income and the present value of the relevant cash flows.

3.19 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- it is probable that the future economic benefits relating to the property, plant and equipment will flow into the Company;
- the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the Company shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories	Depreciation method	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	Straight-line method	20 to 35	0.00 to 5.00	5.00 to 2.71
Machinery equipment	Straight-line method	5 to 10	0.00 to 5.00	20.00 to 9.50
Office and electronic equipment	Straight-line method	3 to 5	0.00 to 5.00	33.33 to 19.00
Vehicles	Straight-line method	4 to 10	0.00 to 5.00	25.00 to 9.50

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the fixed assets. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

The following accounting policies are applicable to 2020 and before

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease, if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.20 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.21 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization period

The borrowing costs incurred by the Company that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- Expenditures on assets are being incurred;
- borrowing costs are being incurred;

- acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed, or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction, or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction, or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.22 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

(b.1) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use right	50	Legal right to use
Software	5	The service life is determined by reference to the period for the Company to bring economic benefits.

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

(b.2) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(b.3) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amortization amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the Company, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

(c.1) The Company shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.

(c.2) The development activities that are carried out after the Company has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- there is intention to complete and use or sell the assets;
- the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and
- the costs of the assets can be measured reliably.

3.23 Impairment of Long-term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint

ventures, property, plant and equipment, constructions in progress, intangible assets, goodwill, exploration of oil and gas mining interests, wells and related facilities and so on (excluding inventories, investment properties using fair value method, deferred tax assets, financial assets), shall be determined according to following method:

The Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset and test for impairment. Irrespective of whether there is any indication of impairment, the Company shall test for impairment of goodwill acquired in a business combination, intangible assets with an indefinite useful life or intangible assets not yet available for use annually.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of assets is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognized accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to relevant group of assets based on reasonable method; if it is difficult to allocate to relevant group of assets, good will shall be allocated to relevant combination of asset groups. The relevant group of assets or combination of asset groups is a group of assets or combination of asset groups that is benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and the recoverable amount shall be then calculated, and the impairment loss shall be recognized accordingly. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognize the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

3.24 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding

one year.

Long-term deferred expenses are evenly amortized over the beneficial period.

3.25 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

(a) Short-term employee benefits

(a.1) Monetary benefits (Salaries, bonuses, allowances, subsidies)

The Company recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(a.2) Employee benefits

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(a.3) Social insurance such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the Company of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

(a.4) Short-term paid absences

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

(a.5) Short-term profit-sharing schemes

The Company shall recognize the related employee benefits payable under a profit-sharing plan when all of the following conditions are satisfied:

- the Company has a present legal or constructive obligation to make such payments

as a result of past events; and

- a reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(b.1) Defined contribution plans

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(b.2) Defined benefit plans

(b.2.1) Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

(b.2.2) Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

(b.2.3) Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards,

other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

(b.2.4) Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following

components:

- Service costs
- Net interest on the other long-term employee benefits liability (asset)
- Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

In order to simplify the relevant accounting treatment, the total net amount of the above items is included in the current profit and loss or the cost of related assets.

3.26 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- that obligation is a present obligation of the Company;
- it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties, and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidence indicates that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.27 Other Financial Instrument Such as Preference Share and Perpetual Bonds

(a) Classification criteria of other financial instruments such as preference share and perpetual bonds

Other financial instruments such as preference share and perpetual bonds issued by the Company shall be classified into financial liabilities or equity instruments based on the judgment of specific contents of the relevant contracts or agreements in accordance with the principle of substance over form. If other financial instruments such as preference share and perpetual bonds issued by the Company, of which do not include the delivery of cash or other financial assets to other parties or the contractual obligations of exchanging financial assets or financial liabilities with other parties under other potential adverse conditions, they shall be classified as equity instruments.

(b) Accounting for other financial instruments such as preference share and perpetual bonds

The Company shall determine the accounting treatment of interest expense or dividend

distribution of the financial instruments based on their category. For financial instruments classified as equity instruments, no matter whether the name contains the word of "debt", the interest expense or dividend distribution shall be treated as the profit distribution of the Company (the issuing company), with the repurchase or cancellation shall be treated as the changes in equity; For financial instruments classified as financial liabilities, no matter whether the name contains the word of "share", in principle, the interest expense or dividend distribution shall be treated as the borrowing cost , with any gain or loss on the repurchase or cancellation shall be recognized in current profit or loss.

3.28 Revenue

Applicable from 1 January 2021

(a) General Principle

Revenue is defined as the gross inflow of economic benefits arising in the course of the ordinary activities of the Company when those inflows result in the increases in shareholders' equity, other than increases relating to contributions from shareholders.

The Company shall recognize revenue when it satisfies a performance obligation in the contract as the customer obtains control of a good or service. Control of a good or service refers to the ability to direct the use of and obtain substantially all of the remaining economic benefits from, the good or service.

When the contract has two or more obligation performances, the Company shall allocate the transaction price to each performance obligation in proportion to a relative stand-alone selling price at contract inception of the promised good or service underlying each performance obligation in the contract and recognize revenue based on the transaction price allocated to each performance obligation.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price of the contract, if the contract includes a variable consideration, the Company shall determine the best estimate of the variable consideration based on the expected value or the most likely amount and include in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. If the contract contains a significant financing component, the Company shall determine the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the transaction price and the promised consideration shall be amortized using the effective interest method within the contract period. The Company need not consider the effects of a significant financing component if the period between when the Company transfers control of a good or

service to a customer and when the customer pays for that good or service will be one year or less.

The Company satisfies a performance obligation over time, if one of the following criteria is met; otherwise a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation, unless those progress cannot be reasonably measured. The Company measures the progress of a performance obligation for the service rendered using input methods (or output methods). In some circumstances, the Company cannot be able to reasonably measure the progress of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation. In those circumstances, the Company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress of the performance obligation.

The Company shall recognize revenue at the point in which a customer obtains control of a promised good or service if a performance obligation is satisfied at a point in time. To determine the point in time at which a customer obtains control of a promised good or service, the Company shall consider indicators of the transfer of control, which include, but are not limited to, the followings:

- The Company has a present right to payment for the good or service – a customer is presently obliged to pay for the good or service;
- The Company has transferred legal title of an asset to a customer - the customer has legal title to the asset;
- The Company has transferred physical possession of an asset to a customer - the customer has physical possession of the asset;
- The Company has transferred the significant risks and rewards of ownership of the asset to a customer - the customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

(a.1) Sales return clause

For sales return clause, when the customer obtains the control of a product, the Company shall recognize revenue for the transferred products in the amount of

consideration to which the Company expects to be entitled and a refund liability at the amounts receivable for which the Company does not expect to be entitled; meanwhile, an asset shall be recognized as receivables on the cost of return measured at the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value to the entity of returned products), and the net amount of the former carrying amount of the product when transferred to the customer less above mentioned cost shall be recorded into the cost of sales. At the end of each reporting period, the Company shall re-assess the expectations about the sales return and remeasure above mentioned assets and liabilities.

(a.2) Warranties

In accordance with the contract, the law or other requirements, the Company provides a warranty in connection with the sale of a product or construction of a project. For warranties which provide a customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications, the Company shall treat it in accordance with " *Accounting Standards for Business Enterprise No.13 - Contingencies*". If a warranty, or a part of a warranty, provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the Company shall treat it as a performance obligation, and allocate the transaction price to the warranty based on the relative proportion to the stand-alone selling price of the product and the service, and recognize revenue when the customer obtains the control of the service. In assessing whether a warranty provides a customer with a service in addition to the assurance that the product complies with agreed-upon specifications, the Company shall consider factors such as: whether the warranty is required by law; the length of the warranty coverage period and the nature of the tasks that the Company promises to perform.

(a.3) Principal versus agent

If the Company obtains the control of the specified good or service from another party and then transfers the good or service to the customer, the Company has the right to determine the transaction price, which means that the Company controls the specified good or service before it is transferred to a customer, and is therefore a principal, and recognizes revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. Otherwise, the Company is an agent, and shall recognize revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by another party. The fee or commission might be the net amount of received or receivable consideration that the Company retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party or determined based on the specified commission amount or proportion.

(a.4) Consideration payable to a customer

The Company shall account for consideration payable to a customer as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. The reduction of revenue shall be recognized when (or as) the later of either of the following events occurs: the Company recognizes revenue for the transfer of the related goods or services to the customer; and the Company pays or promises to pay the consideration.

(a.5) Customers' unexercised rights

Upon receipt of a prepayment for a good or service from a customer, the Company shall recognize a contract liability in the amount of the prepayment and recognize revenue when it satisfies its performance obligation. If the prepayment to the Company is non-refundable and the customer may not exercise part or all of its contractual rights, and the Company expects to be entitled to a breakage amount related to those unexercised rights of the customer, the Company shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer; otherwise, the Company shall recognize the remaining balance of above mentioned liability as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

(a.6) Contract modifications

When the construction contract modifications exist between the Company and the customer:

- The Company shall account for a contract modification as a separate contract if the modification results in the addition of promised construction services that are distinct and increase of the price of the contract, and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised construction services;
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services are distinct from the construction services transferred on or before the date of the contract modification, the Company shall account for the contract modification as if it were a termination of the existing contract and the creation of a new contract with the combination of the remaining performance obligations of the existing contract and the contract modification.
- If the contract modification is not accounted for as a separate contract in accordance with above mentioned circumstance (i), and the remaining construction services cannot be distinct from the construction services transferred on or before the date of the contract modification, the Company shall account for the contract modification as if it were a part of the existing contract and the effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognized as an adjustment to revenue at the date of the contract modification.

(b) Specific Method

Revenue recognition methods of the Company are as follows:

(b.1) Revenue from land consolidation and development

In accordance with the contract signed between the Company and the entrusting party, after the land expropriation and relocation has been completed, the land has met the reserve conditions and has been handed over, the Company has the right to collect the settlement payment from the entrusting party according to the contract. And revenue shall be recognized revenue in accordance with the quantity of the land to be transferred and the amount agreed in the settlement statement of the progress of the land to be transferred.

(b.2) Revenue from entrusted construction projects

In accordance with the contract signed between the Company and the entrusting party, the Company has the right to collect the settlement payment from the entrusting party according to the contract and recognize revenue.

(b.3) Revenue from real estate sales

The Company's revenue from real estate sales shall be recognized when the control right has been transferred from the property company to the customer. Revenue shall be recognized when the customer has obtained the physical possession of the property or the legal title of the completed property, and the Company has obtained a present right to payment, and it is probable to recover the consideration. When determining the transaction price of the contract, if the contract contains a significant financing component, the Company shall adjust the contractual commitment consideration according to the financing component of the contract.

(b.4) Revenue from goods trade

After the performance of the contract obligations of the products sold between the Company and the customer is fulfilled, the customer obtains control of a promised good at the point in which the good is delivered, and the Company shall recognize revenue from the performance obligation. Such a situation satisfies a performance obligation at a point in time.

Product revenue recognition shall meet the following conditions: after the delivery of goods sold, the Company obtains the product acceptance receipt from the customer, and the Company shall recognize revenue when issuing sales invoice.

The following accounting policies are applicable for the year 2020 and before:

(a) Revenue from sale of goods

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- relevant amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow into the Company; and
- relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. The transaction's percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The outcome of rendering of services can be estimated reliably if the following criteria are satisfied:

- relevant amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow into the Company;
- the percentage of completion can be measured reliably; and
- relevant amount of cost incurred or to be incurred can be measured reliably.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous accounting periods.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, deal with the following situations respectively:

- if the labor costs incurred is estimated to be compensated, the revenue from rendering of service is recognized by the amount of incurred labor costs, and carry labor costs at the same amount;
- if the labor costs incurred is estimated not to be compensated, the incurred labor costs are included in the current profit and loss and revenue from rendering of service is not recognized.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue.

The Company shall recognize the amount of revenue from the alienating of right to use

assets based on the following circumstances, respectively:

- interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) The Company's revenue specific confirmation methods

The main revenues of the Company are revenue from land consolidation and development, revenue from entrusted construction projects, asset rental revenue, revenue from goods trade, etc.

(e.1) Revenue from land consolidation and development

Lands of the Company shall be transferred to Land Reserve Centre for listing, and final return of land development revenue has been determined. It is probably that land transfer refund received and relevant economic benefits flow into the Company. Relevant land development cost incurred or to be incurred can be measured reliably.

(e.2) Revenue from entrusted construction projects

The Company undertakes the construction of infrastructure projects in Huzhou Economic Development Zone. After the completion of the projects, the Company shall make income settlement with Huzhou Economic Development Zone Management Committee and use project cost and a proportion of project cost to determine the fixed rate of return.

(e.3) Asset rental revenue

According to lease contract, agreement or other settlement notice accepted by lessee, revenue shall be recognized in accordance with the current lease term.

(e.4) Revenue from real estate sales

The development product has been finished, checked and accepted, and sales contract

has been signed and the obligations stipulated in the contract shall be fulfilled, i.e., significant risks and rewards related to ownership of development product have been transferred to the buyer. Relevant revenue has been received and receipt has been obtained. Relevant amount of cost incurred or to be incurred can be measured reliably, and the revenue should be recognized under the circumstances mentioned above.

(e.5) Revenue from goods trade

The Company has transferred the principal risks and rewards of ownership of the Goods to the Purchaser; The Company has neither retained the right of continued management associated with the ownership, nor has it exercised effective control over the sold goods; The amount of income can be measured reliably; Related economic benefits are likely to flow to the enterprise; When the related cost has occurred or will occur can be measured reliably, the realization of material trade revenue is confirmed.

3.29 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- the Company will comply with the conditions attaching to them; and
- the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value CNY1.00 when reliable fair value is not available.

(c) Accounting for government grants

(c.1) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(c.2) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be

recognized as deferred income on acquisition and be recognized in profit or loss (or write down related expenses) in the period of recognizing relevant expenses;

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss (or write down related expenses) of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income (or write down related expenses).

(c.3) Discount interest on preferential policy loans

Fiscal interest discount funds disbursed directly to the Company, the Company offsets the relevant borrowing costs with the corresponding discount interest.

(c.4) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.30 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset 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 accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint

arrangements, to the extent that, and only to the extent that, it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- The Company is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(c.1) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(c.2) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall

be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

(c.3) Unused tax losses and unused tax credits

(c.3.1) Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

(c.3.2) Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(c.4) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(c.5) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.31 Leases

Applicable from 1 January 2021

(a) Identifying a lease

At inception of a contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and to direct the use of the identified asset.

(b) Identifying a separate lease component

When a contract includes more than one separate lease components, the Company shall separate components of the contract and account for each lease component separately. The right to use an underlying asset is a separate lease component if both conditions have been satisfied: (i) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; (ii) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

(c) The Company as a lessee

At the commencement date, the Company identifies the lease that has a lease term of 12 months or less and does not contain a purchase option as a short-term lease. A lease qualifies as a lease of a low-value asset if the nature of the asset is such that, when new, the asset is typically of low value. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

All the short-term leases or leases for which the underlying asset is of low value, the Company shall recognize the lease payments associated with those leases as cost of relevant asset or expenses in current profit or loss on a straight-line basis.

Except for the election of simple treatment as short-term lease or lease of a low-value asset as mentioned above, at the commencement date, the Company shall recognize a right-of-use asset and a lease liability.

(c.1) Right-of-use asset

A right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

At the commencement date, the Company shall initially measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Company recognizes and measures the cost in accordance with the recognition criteria and measurement method for estimated liabilities, details please refer to *Note 3.26 Estimated Liabilities*. Those costs incurred to produce inventories shall be included in the cost of inventories.

The right-of-use asset shall be depreciated according to the categories using straight-line method. If it is reasonably certain that the ownership of the underlying asset shall be transferred to the lessee by the end of the lease term, the depreciation rate shall be determined based on the classification of the right-of-use asset and estimated residual value rate from the commencement date to the end of the useful life of the underlying asset. Otherwise, the depreciation rate shall be determined based on the classification of the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

(c.2) Lease liability

At the commencement date, the lease liability shall be measured at the present value of the lease payments that are not paid at that date. The lease payments included in the measurement of the lease liability comprise the following 5 items:

- fixed payments and in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease;
- amounts expected to be payable by the lessee under residual value guarantees.

In order to calculate the present value of the lease payments, interest rate implicit in the lease shall be used as the discount rate. If that rate cannot be readily determined, the Company shall use the incremental borrowing rate. The difference between the lease

payments and its present value shall be recognized as unrecognized financing charges, calculated bases on the discount rate of the present value of the lease payments in each period within the lease term and recorded as interest expense in current profit or loss. Variable lease payments not included in the measurement of lease liabilities shall be recognized in current profit or loss when incurred.

After the commencement date, the Company shall remeasure the lease liability based on the revised present value of the lease payments and adjust the carrying amount of the right-of-use asset if there is a change in the in-substance fixed payments, or change in the amounts expected to be payable under a residual value guarantee, or change in an index or a rate used to determine lease payments, or change in the assessment or exercising of an option to purchase the underlying asset, or an option to extend or terminate the lease.

(d) The Company as a lessor

At the commencement date, the Company shall classify a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, otherwise it shall be classified as an operating lease.

(d.1) Operating leases

The Company shall recognize lease payments from operating leases as income on a straight-line basis over the term of the relevant lease and the initial direct costs incurred in obtaining an operating lease shall be capitalized and recognized as an expense over the lease term on the same basis as the lease income. The Company shall recognize the variable lease payments relating to the operating lease but not included in the measurement of the lease receivables into current profit or loss when incurred.

(d.2) Finance leases

At the commencement date, the Company shall recognize the lease receivables at an amount equal to the net investment in the lease (the sum of the present value of the unguaranteed residual values and the lease payment that are not received at the commencement date discounted at the interest rate implicit in the lease) and derecognize the asset relating to the finance lease. The Company shall recognize interest income using the interest rate implicit in the lease over the lease term.

The Company shall recognize the variable lease payments relating to the finance lease but not included in the measurement of the net investment in the lease into current profit or loss when incurred.

(e) Lease modifications

(e.1) A lease modification accounted for as a separate lease

The Company shall account for a modification to a lease as a separate lease, if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the

stand-alone price for the increase in scope.

(e.2) A lease modification not accounted for as a separate lease

(e.2.1) The Company as a lessee

At the effective date of the lease modification, the Company shall redetermine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

The Company shall account for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. The Company shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.
- Making a corresponding adjustment to the carrying amount of the right-of-use asset for all other lease modifications.

(e.2.2) The Company as a lessor

The Company shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For a modification to a finance lease that is not accounted for as a separate lease, the Company shall account for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company shall account for the lease modification as a new lease from the effective date of the modification and measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Company shall account for the lease modification according to the requirements in the modification or renegotiation of the contract.

(f) Sale and leaseback

The Company shall determine whether the transfer of an asset under the sale and leaseback transaction is a sale of that asset in accordance with the regulations on termination of operation according to *Note 3.28 Revenue*.

(f.1) The Company as a seller (lessee)

If the transfer of the asset is not a sale, the Company shall continue to recognize the transferred asset and shall recognize a financial liability equal to the transfer proceeds. It shall account for the financial liability according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the Company shall measure the right-of-use asset

arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company shall recognize only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

(f.2) The Company as a buyer (lessor)

If the transfer of the asset is not a sale, the Company shall not recognize the transferred asset and shall recognize a financial asset equal to the transfer proceeds. It shall account for the financial asset according to *Note 3.10 Financial Instruments*. If the transfer of the asset is a sale, the Company shall account for the purchase of the asset applying applicable Accounting Standards of Business Enterprises, and for the lease applying the lessor accounting requirements.

The following accounting policies applicable for the year 2020 or before

The Company classifies the lease that substantially transfers all the risks and rewards incidental to ownership of an underlying asset as a finance lease. Another lease shall be classified as an operating lease.

(a) Accounting for operating leases

(a.1) The Company as a lessee

The lease payments should be recognized as expenses of the reporting period over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms and charged to expenses of the reporting period.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(a.2) The Company as a lessor

Lease income should be recognized over the lease terms (including rent-free periods) on a straight-line basis. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized as expenses of the reporting period; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized as profit or loss upon incurrence.

(b) Accounting for finance leases

(b.1) The Company as a lessee

At commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease

payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments and shall record the differences between carrying amounts of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts effective interest rate method, which shall be amortized over the lease terms as finance expenses by using effective interest rate method.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its own property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets when the lease expires, the depreciation period will be the useful lives of the leased assets. If it is difficult to reasonably determine whether the Company can obtain the ownership of the underlying assets when the lease expires, depreciation period is the lower of the lease period and their useful lives.

(b.2) The Company as a lessor

At commencement of the lease, rental receivables shall be measured at minimum lease receivables plus initial direct costs relating to lease transactions incurred by the Company. Unguaranteed residual values are recorded simultaneously. The differences between the undiscounted rental receivables plus unguaranteed residual values and their present values shall be recognized as unearned finance income and shall amortized over the lease terms as lease income at the effective rate.

3.32 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

(a.1) Implementing the *New Financial Instruments Standard*

On 31 March 2017, the Ministry of Finance released the *Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments* (Cai Kuai [2017] No.7), *Accounting Standards for Business Enterprises No.23 – Transfer of Financial Assets* (Cai Kuai [2017] No.8), *Accounting Standards for Business Enterprises No.24 – Hedge Accounting* (Cai Kuai [2017] No.9). On 2 May 2017, the Ministry of Finance released the *Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments* (Cai Kuai [2017] No.14). (Note: The above standards are hereinafter collectively referred to as the "***New Financial Instruments Standard***".) And it required the domestic unlisted companies that implement the *Accounting Standards for Business Enterprises* to apply the ***New Financial Instruments Standard*** for the annual reporting period beginning on 1 January 2021. The Company implements the above ***New Financial Instruments Standard*** since from 1 January 2021 and adjusts the relevant content of accounting policy, please refer to *Note 3.10 Financial Instruments* for details.

Because the financial instruments recognition and measurement before 1 January 2021 is different from the requirements of the ***New Financial Instruments Standard***, the Company made retrospective adjustments to the classification and measurement

(including impairment) of financial instruments according to the **New Financial Instruments Standard**. The difference between the original carrying value of financial instruments and the new carrying value on the date of implementation of the **New Financial Instruments Standard** (1 January 2021) was included in retained earnings or other comprehensive income on 1 January 2021, and the comparative financial statements data was not adjusted.

The cumulative impact of the above accounting policies is as follows:

- For implementing the **New Financial Instruments Standard**, the impact on each item of the Company's consolidated statement of financial position and statement of financial position on 1 January 2021 is as follows:

- Consolidated statement of financial position:

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Cash and cash equivalents	4,915,243,804.91	4,978,803,034.63	63,559,229.72
Accounts receivable	1,037,337,367.78	1,032,162,859.02	-5,174,508.76
Other receivables	9,997,342,549.52	9,883,737,188.19	-113,605,361.33
Including: Interest receivable	63,559,229.72		-63,559,229.72
Available-for-sale financial assets	496,294,910.11	Not applicable	-496,294,910.11
Long-term receivables	697,716,289.84	156,681,488.84	-541,034,801.00
Long-term equity investments	1,440,419,708.23	1,440,419,708.23	
Other equity instrument investments	Not applicable	207,248,000.00	207,248,000.00
Other non-current financial assets	Not applicable	289,046,910.11	289,046,910.11
Deferred tax assets	12,141,938.35	23,793,668.07	11,651,729.72
Other non-current assets	1,292,965,019.55	1,833,999,820.55	541,034,801.00
Short-term borrowings	3,972,000,000.00	3,982,573,738.90	10,573,738.90
Other payables	1,637,425,513.99	1,292,604,905.68	-344,820,608.31
Including: Interest payable	344,820,608.31		-344,820,608.31
Non-current liabilities maturing within one year	9,444,871,008.94	9,779,117,878.35	334,246,869.41
Surplus reserves	206,932,044.90	203,483,232.91	-3,456,967.64
Retained earnings	2,989,416,040.60	2,950,972,420.52	-40,111,819.26
Non-controlling interests	1,418,588,325.20	1,418,588,201.45	-123.75

- Statement of financial position:

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Cash and cash equivalents	938,338,747.83	972,020,206.16	33,681,458.33
Accounts receivable			
Other receivables	3,634,610,347.56	3,592,315,167.73	-42,295,179.83
Including: Interest receivable	33,681,458.33		-33,681,458.33
Available-for-sale financial assets		Not applicable	

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Long-term receivables	63,903,000.00		-63,903,000.00
Long-term equity investments			
Other equity instrument investments	Not applicable		
Other non-current financial assets	Not applicable		
Deferred tax assets			
Other non-current assets		63,903,000.00	63,903,000.00
Short-term borrowings		8,032,773.25	8,032,773.25
Other payables	2,560,198,743.89	2,527,445,335.19	-32,753,408.70
Including: Interest payable	32,753,408.70		-32,753,408.70
Non-current liabilities maturing within one year	715,440,000.79	740,160,636.24	24,720,635.45
Surplus reserves			
Retained earnings	-86,256,021.54	-94,869,743.04	-8,613,721.50
Non-controlling interests			

(a.2) Implementing the **New Revenue Standard**

On 5 July 2017, the Ministry of Finance released the *Accounting Standards for Business Enterprises No.14 - Revenue* (Cai Kuai [2017] No.22) (hereinafter referred to as the "New Revenue Standards"). Unlisted companies required to implement *Accounting Standards for Business Enterprises* shall implement the **New Revenue Standard** from 1 January 2021. The Company implements the **New Revenue Standards** since from 1 January 2021 and adjusts the relevant content of accounting police, please refer to *Note 3.28 Revenue* for details.

According to the **New Revenue Standard**, the Company's cumulative impact amount of implementing the standards for the first time should be recognized an adjustment to the retained earnings and other related accounts of the financial statements on the date of first implementation of the standards (1 January 2021), and the comparative information will not be adjusted. Therefore, the Company only adjusted the unfinished contracts' cumulative impact amount of the first implementation date.

The cumulative impact of the above accounting policies is as follows:

For implementing the **New Revenue Standard**, the impact on each item of the Company's consolidated statement of financial position and statement of financial position on 1 January 2021 is as follows:

- Consolidated statement of financial position:

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Advances from customers	297,304,643.99	9,263,890.74	-288,040,753.25
Contract liabilities	Not applicable	288,035,900.63	288,035,900.63
Other current liabilities		4,852.62	4,852.62

- Statement of financial position:

Items	31 Dec. 2020	1 Jan. 2021	Adjustments
Advances from customers			
Contract liabilities	Not applicable		
Other current liabilities			

(a.3) Implementing the **New Lease Standard**

On 7 December 2018, the Ministry of Finance released the *Accounting Standards for Business Enterprises No.21 - Lease* (hereinafter referred as to the "**New Lease Standards**"). The entities that are listed both in China and abroad and those that are listed abroad and prepare their financial statements in accordance with *International Financial Reporting Standards* or *Accounting Standards for Business Enterprises* shall implement the standards since 1 January 2019; other entities implementing *Accounting Standards for Business Enterprise* should shall the standards since 1 January 2021, and for entities whose parent companies or subsidiaries are listed overseas and whose overseas financial statements are prepared in accordance with *International Financial Reporting Standards* or *Accounting Standards for Business Enterprises* could implement the standards in advance. The Company implements the **New Lease Standard** since from 1 January 2021 and adjusts the relevant content of accounting police, please refer to *Note 3.31 Leases* for details.

The cumulative impact of the above accounting policies is as follows:

For implementing the **New Lease Standard**, there is no impact on each item of the Company's consolidated statement of financial position and statement of financial position on 1 January 2021.

(a.4) Implementing the *Accounting Standards for Business Enterprises Interpretation No.14*

On 26 January 2021, the Ministry of Finance released the *Accounting Standards for Business Enterprises Interpretation No.14* (Cai Kuai [2021] No.1) (hereinafter referred to as the "**Interpretation No.14**"), it is effective from the date of publication. The Company implements the interpretation since from 26 January 2021, and there is no significant impact on the Company's financial statements during the reporting period for implementing the interpretation.

(a.5) Implementing the provisions of "*Related Presentation of Centralized Management of Funds*" in *Accounting Standards for Business Enterprises Interpretation No.15*

On 30 December 2021, the Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No.15* (Cai Kuai [2021] No.35) (hereinafter referred as to the "**Interpretation No.15**"), and the Company implements the "*Relevant Presentation of Centralized Management of Funds*" as of the date of promulgation. The Company implements **Interpretation No.15** on 30 December 2021.If the financial

statements of the Company are not presented in accordance with the relevant provisions of "*Relevant Presentation of Centralized Management of Funds*" before the release of the "**Interpretation No.15**", the Company shall make corresponding adjustments to the financial statement data of the comparable period in accordance with the relevant provisions.

Due to the implementation of the provisions of "*Relevant Presentation of Centralized Management of Funds*" ("**Interpretation No.15**"), there is no impact on the Company's financial statements for the reporting period.

(b) Changes in accounting estimates

The Company has no change in accounting estimates during the reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Basis of tax assessment	Tax rate
Value added tax (VAT)	Sales of goods or provision of taxable services	3.00%, 5.00%, 6.00%, 9.00%, 13.00%
Urban maintenance and construction tax	Turnover taxes payable	7.00%
Educational surcharge	Turnover taxes payable	5.00%
Urban land usage tax	Calculated and levied according to land area	CNY4.00/m ²
Property tax	Calculated and levied according to rental; Calculated and levied according to price	12.00%, 1.20%
Enterprise income tax	Enterprise income taxes are paid on taxable profits.	25.00%

4.2 Tax Preference

On 18 January 2019, the *Announcement on Issues Related to the Implementation of the Preferential Income Tax Reduction and Exemption Policy for Small and Low-profit Enterprises* was issued by the State Administration of Taxation, and there are new provisions on the preferential income tax reduction policy for small and low-profit enterprises. The details are as follows: from 1 January 2019 to 31 December 2021, for the part of annual taxable income of small and low-profit enterprises not exceeding CNY1.00 million, the taxable income shall be reduced to 25.00% and enterprise income tax is paid at 20.00% tax rate; for the part of annual taxable income of small and low-profit enterprises exceeding CNY1.00 million but not exceeding CNY3.00 million, the taxable income shall be reduced to 50.00% and enterprise income tax is paid at 20.00% tax rate.

On 31 March 2021, the *Announcement of the State Administration of Taxation of the Ministry of Finance on Clarifying the Policy of Exempting Small-scale VAT Taxpayers from VAT (No.11, Year 2021)* was issued by the Administration of Taxation of Ministry of Finance. From 1 April 2021 to 31 December 2022, the small-scale VAT taxpayers with monthly sales of less than CNY150,000.00 (including this amount) shall be

exempted from VAT.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec. 2021	31 Dec. 2020
Cash on hand	14,166.81	12,359.31
Cash in bank	3,926,897,598.25	4,915,231,445.60
Other monetary funds	286,914,256.73	
Total	4,213,826,021.79	4,915,243,804.91
Including: The total amount deposited overseas	352,514,316.88	372,593,526.07

5.2 Held-for-trading Financial Assets

Items	31 Dec. 2021	31 Dec. 2020
Financial assets designated as at fair value through profit or loss:	135,774,520.55	—
Including: Convertible bond	135,774,520.55	—
Total	135,774,520.55	—

5.3 Notes Receivable

Items	31 Dec. 2021	31 Dec. 2020
Bank acceptance bills		40,000,000.00
Commercial acceptance bills		
Total		40,000,000.00

5.4 Accounts Receivable

(a) Accounts receivable by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	846,988,151.76	1,036,688,281.91
1 to 2 years	825,964,853.50	832,243.61
2 to 3 years	45,000.00	
Over 3 years	35,935.74	765,656.14
Subtotal	1,673,033,941.00	1,038,286,181.66
Less: Provision for bad debt	8,746,329.34	948,813.88
Total	1,664,287,611.66	1,037,337,367.78

(b) Accounts receivable by bad debt provision method

(b.1) 31 December 2021 (according to simplified model)

Items	31 Dec. 2021				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by portfolio	1,673,033,941.00	100.00	8,746,329.34	0.52	1,664,287,611.66
Portfolio 1: Receivables due from other related party customers and government customers	1,665,533,855.30	99.55	8,327,669.27	0.50	1,657,206,186.03
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	7,500,085.70	0.45	418,660.07	5.58	7,081,425.63
Total	1,673,033,941.00	100.00	8,746,329.34	0.52	1,664,287,611.66

(b.1.1) As at 31 December 2021, accounts receivable with provision for bad debt recognized individually:

There is no such item.

(b.1.2) As at 31 December 2021, in Portfolio 1, accounts receivable due from other related party customers and government customers:

Entity name	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Huzhou Xincheng Public Engineering Co., Ltd.	1,303,959,986.60	6,519,799.93	0.50
Huzhou Nantaihu New District Administrative Committee	360,993,674.00	1,804,968.37	0.50
Others	580,194.70	2,900.97	0.50
Total	1,665,533,855.30	8,327,669.27	0.50

(b.1.2) As at 31 December 2021, in Portfolio 2, accounts receivable with bad debt provision recognized collectively by the portfolio of underlying expected credit losses based on the aging sheet:

Aging	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	7,363,814.25	368,190.73	5.00

Aging	31 Dec. 2021		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
1 to 2 years	55,335.76	5,533.58	10.00
2 to 3 years	45,000.00	9,000.00	20.00
Over 3 years	35,935.74	35,935.74	100.00
Total	7,500,085.75	418,660.05	5.58

The basis for the amount of bad debt provision recognized in the current period:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.10 Financial Instruments*.

(b.2) Balance at 31 December 2020 (according to the incurred loss model)

Items	31 Dec. 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	1,038,286,181.66	100.00	948,813.88	0.09	1,037,337,367.78
Portfolio 1: Related parties and relevant government departments	1,034,006,835.20	99.59			1,034,006,835.20
Portfolio 2: Aging analysis	4,279,346.46	0.41	948,813.88	22.17	3,330,532.58
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually					
Total	1,038,286,181.66	100.00	948,813.88	0.09	1,037,337,367.78

(b.2.1) As at 31 December 2020, accounts receivable with individually significant balance and recognized provision for bad debt individually:

There is no such item.

(b.2.2) As at 31 December 2020, in Portfolio 1, the details of accounts receivable are as follows:

Entity name	31 Dec. 2020		
	Accounts receivable	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Xincheng Public Engineering Co., Ltd.	582,386,897.18	56.09	
Huzhou Nantaihu New District Administrative Committee	450,993,674.00	43.44	
Others	626,264.02	0.06	
Total	1,034,006,835.20	99.59	

(b.2.3) As at 31 December 2020, in Portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec. 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	2,717,382.45	135,869.12	5.00
1 to 2 years	832,243.61	83,224.36	10.00
2 to 3 years			20.00
Over 3 years	729,720.40	729,720.40	100.00
Total	4,279,346.46	948,813.88	22.17

(b.2.4) As at 31 December 2020, accounts receivable with individually insignificant balance and recognized provision for bad debt individually:

There is no such item.

(b.3) The basis for the amount of bad debt provision recognized in 2020:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.12 Impairment Provision of Receivables*.

(c) Provision, recovery or reversal of bad debt

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period			31 Dec. 2021
				Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt	948,813.88	5,174,508.76	6,123,322.64	2,623,006.70			8,746,329.34
Total	948,813.88	5,174,508.76	6,123,322.64	2,623,006.70			8,746,329.34

(d) Accounts receivable written-off during the reporting period

There is no such item.

(e) Large closing balances by entity

Entity name	Balance at 31 Dec. 2021	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Xincheng Public Engineering Co., Ltd.	1,303,959,986.60	77.94	6,519,799.93
Huzhou Nantaihu New District Administrative Committee	360,993,674.00	21.58	1,804,968.37
Total	1,664,953,660.60	99.52	8,324,768.30

(f) Accounts receivable derecognized due to transfer of financial assets

There is no such item.

(g) Assets or liabilities formed due to accounts receivable transferred but still involved

There is no such item.

5.5 Prepayments

Aging	31 Dec. 2021		31 Dec. 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	621,451,692.26	100.00	1,406,718.51	100.00
1 to 2 years	1,575.32			
2 to 3 years				
Over 3 years				
Total	621,453,267.58	100.00	1,406,718.51	100.00

5.6 Other Receivables

(a) Other receivables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest receivable		63,559,229.72
Dividend receivable		
Other receivables	11,825,205,475.41	9,933,783,319.80
Total	11,825,205,475.41	9,997,342,549.52

(b) Interest receivable

(b.1) Interest receivable by category

Items	31 Dec. 2021	31 Dec. 2020
Time deposits		63,559,229.72
Bond investments		
Total		63,559,229.72

(b.2) Significant overdue interest

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other receivables

(d.1) Other receivables by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	4,818,999,253.01	5,853,138,571.84
1 to 2 years	3,164,032,992.14	822,633,812.52
2 to 3 years	902,529,242.31	1,898,869,744.01
Over 3 years	3,028,284,256.52	1,378,807,267.04
Subtotal	11,913,845,743.98	9,953,449,395.41
Less: Provision for bad debt	88,640,268.57	19,666,075.61
Total	11,825,205,475.41	9,933,783,319.80

(d.2) Other receivables by bad debt provision method

(d.2.1) As at 31 December 2021, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	11,902,852,097.48	77,646,622.07	11,825,205,475.41
Stage 2			
Stage 3	10,993,646.50	10,993,646.50	
Total	11,913,845,743.98	88,640,268.57	11,825,205,475.41

(d.2.1.1) As at 31 December 2021, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	11,902,852,097.48	0.65	77,646,622.07	11,825,205,475.41
Portfolio 1: Receivables due from other related party customers and government customers	11,771,950,951.76	0.50	58,859,754.75	11,713,091,197.01
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet	130,901,145.72	14.35	18,786,867.32	112,114,278.40
Total	11,902,852,097.48	0.65	77,646,622.07	11,825,205,475.41

(d.2.1.2) As at 31 December 2021, provision for bad debt at stage 2:

There is no such item.

(d.2.1.3) As at 31 December 2021, provision for bad debt at stage 3:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually	10,993,646.50	100.00	10,993,646.50	
Other receivables with bad debt provision recognized collectively by portfolio				
Portfolio 1: Receivables due from other related party customers and government customers				
Portfolio 2: A portfolio of underlying expected credit losses based on the aging sheet				
Total	10,993,646.50	100.00	10,993,646.50	

(d.2.1.3.1) As at 31 December 2021, other receivables with provision for bad debt recognized individually

Entity name	31 Dec. 2021			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Huzhou Gongke Construction Co., Ltd.	10,993,646.50	10,993,646.50	100.00	Cannot be recovered
Total	10,993,646.50	10,993,646.50	100.00	

(d.2.1.3.2) The basis for the amount of bad debt provision recognized in the current period:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.10 Financial Instruments*.

(d.2.2) As at 31 December 2020, the provision for bad debts is accrued based on the incurred loss model as follows:

Items	31 Dec. 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	10,993,646.50	0.11	10,993,646.50	100.00	
Other receivables with bad debt provision recognized collectively	9,942,455,748.91	99.89	8,672,429.11	0.09	9,933,783,319.80

Items	31 Dec. 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
by similar credit risk characteristics					
Portfolio 1: Related parties and relevant government departments	9,925,720,588.08	99.72			9,925,720,588.08
Portfolio 2: Aging analysis	16,735,160.83	0.17	8,672,429.11	51.82	8,062,731.72
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	9,953,449,395.41	100.00	19,666,075.61	0.20	9,933,783,319.80

(d.2.2.1) As at 31 December 2020, other receivables with individually significant balance and recognized provision for bad debt individually:

Entity name	31 Dec. 2020			
	Other receivables	Provision for bad debt	Provision ratio (%)	Reason
Huzhou Gongke Construction Co., Ltd.	10,993,646.50	10,993,646.50	100.00	Cannot be recovered
Total	10,993,646.50	10,993,646.50	100.00	

(d.2.2.2) As at 31 December 2020, in Portfolio 1, other receivables with no provision for bad debts due to very low possibility of bad debt loss:

Entity name	Balance at 31 Dec. 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Xinyuan Development and Construction Co., Ltd.	3,415,805,181.94	34.32	
Huzhou Nantaihu New District Management Committee	2,662,542,518.23	26.75	
Huzhou Xincheng Public Engineering Co., Ltd.	2,512,842,096.23	25.25	
People's Government of Huzhou City Kang Shan Sub-district Office	520,600,000.00	5.23	
Huzhou Fuyuan Construction Co., Ltd.	503,020,697.74	5.05	
Huzhou Economic Construction and Development Corporation	94,338,164.97	0.95	

Entity name	Balance at 31 Dec. 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Headquarters of Nantaihu High-tech Industrial Park, Management Committee of Zhejiang Huzhou Economic Development Zone	61,923,499.90	0.62	
Zhejiang Dingpei Education Investment Management Co., Ltd.	43,000,000.00	0.43	
Zhejiang Nantaihu Holding Group Co., Ltd.	39,000,000.00	0.39	
Others	72,648,429.07	0.73	
Total	9,925,720,588.08	99.72	

(d.2.2.3) As at 31 December 2020, in Portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec. 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	4,395,439.88	219,772.00	5.00
1 to 2 years	1,581,876.41	158,187.64	10.00
2 to 3 years	3,079,218.84	615,843.77	20.00
Over 3 years	7,678,625.70	7,678,625.70	100.00
Total	16,735,160.83	8,672,429.11	51.82

(d.2.2.4) As at 31 December 2020, other receivables with individually insignificant balance and recognized provision for bad debt individually:

There is no such item.

(d.2.3) The basis for the amount of bad debt provision recognized in 2020:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.12 Impairment Provision of Receivables*.

(d.3) Provision, recovery or reversal of bad debt

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period			31 Dec. 2021
				Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt recognized individually	10,993,646.50		10,993,646.50				10,993,646.50
Provision for bad debt recognized by portfolio	8,672,429.11	50,046,131.61	58,718,560.72	18,928,061.35			77,646,622.07
Total	19,666,075.61	50,046,131.61	69,712,207.22	18,928,061.35			88,640,268.57

(d.4) Other receivables written-off during the reporting period

There is no such item.

(d.5) Top five closing balances by entity

Entity name	Balance at 31 Dec. 2021	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Xinyuan Development and Construction Co., Ltd.	4,610,850,112.47	38.99	23,054,250.56
Huzhou Xincheng Public Engineering Co., Ltd.	2,623,243,566.03	22.18	13,116,217.83
Huzhou Nantaihu New District Administrative Committee	2,602,542,518.23	22.01	13,012,712.59
Huzhou Fuyuan Construction Co., Ltd.	719,444,622.36	6.08	3,597,223.11
People's Government of Huzhou City Kang Shan Sub-district Office	520,600,000.00	4.40	2,603,000.00
Total	11,076,680,819.09	93.66	55,383,404.09

(d.6) Other receivables relating to government grants

There is no such item.

(d.7) Derecognition of other receivables for transfer of financial assets

There is no such item.

(d.8) Assets or liabilities formed due to other receivables transferred but still involved

There is no such item.

5.7 Inventories

(a) Inventories by category

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	54,636.18		54,636.18	68,817.08		68,817.08
Low-value consumables	28,760.10		28,760.10	8,431.36		8,431.36
Finished goods	885,541.31		885,541.31	911,425.64		911,425.64
Development costs	1,644,045,617.24		1,644,045,617.24	19,727,783,210.73		19,727,783,210.73
Development products	119,270,452.96		119,270,452.96	-		-
Entrusted constructions	-	--		18,225,326,416.11		18,225,326,416.11
Costs to fulfill a contract	39,908,949,073.05	-	39,908,949,073.05	---	-	-
Total	41,673,234,080.84	-	41,673,234,080.84	37,954,098,300.92		37,954,098,300.92

(b) Provision for impairment

There is no such item.

5.8 Other Current Assets

Items	31 Dec. 2021	31 Dec. 2020
Prepaid tax	9363.69	360.00
Reclassification from debit side balance of VAT payable	49,673,860.55	6,671,524.99
Total	49,683,224.24	6,671,884.99

5.9 Debt Investments

(a) General information of debt investments

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Huzhou Xincheng Industry and Trade Co., Ltd.	800,000.00	800,000.00		—	—	—
Subtotal	800,000.00	800,000.00		—	—	—
Less: Debt investments maturing within one year				—	—	—
Total	800,000.00	800,000.00		—	—	—

Note: According to the "Enterprise Contractual Management Responsibility" signed between the Company and natural person Faqing Guan, the Company delivered the right of management of Huzhou Xincheng Industry and Trade Co., Ltd. to Faqing Guan by contract. Therefore, there was no control, joint control or significant influence on Huzhou Xincheng Industry and Trade Co., Ltd. At the same time, due to the continuous loss and negative net assets of Huzhou Xincheng Industry and Trade Co., Ltd., full provision for impairment loss of assets was recognized.

(b) Significant debt investments at the end of the period

There is no such item.

5.10 Available-for-sale Financial Assets

Items	31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments:			
Available-for-sale equity instruments:	524,294,910.11	28,000,000.00	496,294,910.11
Including: Measured at fair value			
Measured at cost	524,294,910.11	28,000,000.00	496,294,910.11
Total	524,294,910.11	28,000,000.00	496,294,910.11

Note: After the implementation of the **New Financial Instrument Standards**, the Company reclassify available-for-sale financial assets as other equity instrument investments and other non-current financial assets.

5.11 Long-term Receivables

(a) General information of long-term receivables

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for bad debt	Carrying amount	Book value	Provision for bad debt	Carrying amount
Margin for finance lease				194,900,001.00		194,900,001.00
Margin for trust fund				346,134,800.00		346,134,800.00
Others	156,681,488.84		156,681,488.84	156,681,488.84		156,681,488.84
Subtotal	156,681,488.84		156,681,488.84	697,716,289.84		697,716,289.84
Less: Long-term receivables maturing within one year						
Total	156,681,488.84		156,681,488.84	697,716,289.84		697,716,289.84

5.12 Long-term Equity Investments

Investees	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period				
				Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Associates:								
Huzhou Nantaihu Construction Investment Management Co., Ltd.	389,455,092.36		389,455,092.36			862,265.91		
Zhejiang Haigang Huzhou Port Co., Ltd.	3,004,373.35		3,004,373.35					
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	14,700,000.00		14,700,000.00	3,581,900.00				
Baishan Huicheng park Development and Construction Co., Ltd.	30,000,000.00		30,000,000.00			630.11		
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.	10,206,196.31		10,206,196.31			21,165.69		
Huzhou Shanggang International Port Co., Ltd.	12,500,000.00		12,500,000.00	87,500,000.00		-1,636,452.52		
Huzhou High Core Integrated Circuit Co., Ltd.		23,700,000.00	23,700,000.00					
Huzhou Chanjing Industrial Development Co., Ltd.	979,763,338.74		979,763,338.74			9,486.07		
Zhejiang Xin Future Talent Development Co., Ltd.	790,707.47		790,707.47			465,981.20		
Railway Construction City Development (Huzhou) Development				15,000,000.00		4,472.48		10,000,000.00

Investees	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period				
				Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
Construction Co., Ltd.								
Huzhou Chengxi Zhenxing Rural Construction Development Co., Ltd.				500,000.00		12.15		
Huzhou Jingcheng Real Estate Co., Ltd.						1,006.14		
Total	1,440,419,708.23	23,700,000.00	1,464,119,708.23	106,581,900.00		-271,432.77		10,000,000.00

(Continued)

Investees	Changes during the reporting period			31 Dec. 2021	Provision for impairment at 31 Dec. 2021
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Associates:					
Huzhou Nantaihu Construction Investment Management Co., Ltd.				390,317,358.27	
Zhejiang Haigang Huzhou Port Co., Ltd.				3,004,373.35	
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.				18,281,900.00	
Baishan Huicheng park Development and Construction Co., Ltd.				30,000,630.11	
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.				10,227,362.00	
Huzhou Shanggang International Port Co., Ltd.				98,363,547.48	
Huzhou High Core Integrated Circuit Co., Ltd.				23,700,000.00	23,700,000.00
Huzhou Chanjing Industrial Development Co., Ltd.				979,772,824.81	
Zhejiang Xin Future Talent Development Co., Ltd.				1,256,688.67	
Railway Construction City Development (Huzhou) Development Construction Co., Ltd.				25,004,472.48	
Huzhou Chengxi Zhenxing Rural Construction Development Co., Ltd.				500,012.15	

Investees	Changes during the reporting period			31 Dec. 2021	Provision for impairment at 31 Dec. 2021
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
Huzhou Jingcheng Real Estate Co., Ltd.				1,006.14	
Total				1,580,430,175.46	23,700,000.00

5.13 Other Equity Instrument Investments

(a) General information of other equity instrument investments

Items	31 Dec. 2021	31 Dec. 2020
Listed equity instruments investment		—
Non-listed equity instruments investment	289,048,000.00	—
Huzhou City Investment Construction Development Co., Ltd.	3,000,000.00	—
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.	5,000,000.00	—
Huzhou Ganghua Gas Co., Ltd.	1,000,000.00	—
Huzhou Zhengce Guarantee Co., Ltd.	40,000,000.00	—
Huzhou Xinhua Environmental Protection Technology Co., Ltd.	9,900,000.00	—
Huzhou Huazhou Construction Development Co., Ltd.	3,500,000.00	—
Zhejiang Boye Biotechnology Co., Ltd.	20,000,000.00	—
Honeycomb Energy Technology Co., Ltd.	30,000,000.00	—
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.	60,000,000.00	—
Huzhou Huwan Expressway Co., Ltd.	116,648,000.00	—
Total	289,048,000.00	—

(b) General information of non-trading equity instrument investment

Items	Dividends recognized in the current period	Cumulative gains	Cumulative losses	Amount of other comprehensive income transfer to retained earnings	The reason for designated as measuring at fair value through other comprehensive income	The reason for other comprehensive income transfer to retained earnings
Huzhou City Investment Construction Development Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Ganghua Gas Co., Ltd.					The investment is a non-trading equity	

Items	Dividends recognized in the current period	Cumulative gains	Cumulative losses	Amount of other comprehensive income transfer to retained earnings	The reason for designated as measuring at fair value through other comprehensive income	The reason for other comprehensive income transfer to retained earnings
					investment.	
Huzhou Zhengce Guarantee Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Xinhua Environmental Protection Technology Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Huazhou Construction Development Co., Ltd.					The investment is a non-trading equity investment.	
Zhejiang Boye Biotechnology Co., Ltd.					The investment is a non-trading equity investment.	
Honeycomb Energy Technology Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.					The investment is a non-trading equity investment.	
Huzhou Huwan Expressway Co., Ltd.					The investment is a non-trading equity investment.	

5.14 Other Non-current Financial Assets

Item	31 Dec. 2021	31 Dec. 2020
Debt instrument investments		—
Equity instrument investments	591,003,327.11	—
Huzhou Huantaihu Zhongzhi Yongxingda Investment Partnership (Limited Partnership)	79,101,348.00	—
Huzhou Sairun Equity Investment Partnership (Limited Partnership)	66,046,917.76	—
Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership)	30,000,000.00	—
Huzhou Xinchuangke Tianshi Venture Capital Investment Partnership (Limited Partnership)	11,092,400.00	—
Zongmu Technology (Shanghai) Co., Ltd.	50,000,000.00	—
Zhejiang Panshi Information Technology Co., Ltd.	129,999,992.35	—
Zhejiang Teruisi Pharmaceutical Inc.	224,762,669.00	—
Total	591,003,327.11	—

5.15 Investment Properties

(a) Investment properties accounted for using fair value model

Items	Buildings and constructions	Total
Balance at 31 Dec. 2020	2,100,033,304.99	2,100,033,304.99
Increase during the reporting period	313,006,838.63	313,006,838.63
(i) Acquisition	129,261,643.62	129,261,643.62
(ii) Transfer from inventories	26,540,791.19	26,540,791.19
(iii) Transfer from property, plant and equipment	75,885,685.39	75,885,685.39
(iv) Gratuitous transfer	17,902,300.00	17,902,300.00
(v) Changes in fair value	55,396,285.96	55,396,285.96
(vi) Transfer from intangible assets	8,020,132.47	8,020,132.47
Decrease during the reporting period		
Balance at 31 Dec. 2021	2,413,040,143.62	2,413,040,143.62

(b) Investment properties without certificate of title

There is no such item.

5.16 Property, plant and equipment

(a) Property, plant and equipment by category

Items	31 Dec. 2021	31 Dec. 2020
Property, plant and equipment	1,858,024,338.92	674,351,321.38
Disposal of property, plant and equipment		
Total	1,858,024,338.92	674,351,321.38

(b) Property, plant and equipment

(b.1) General information of property, plant and equipment

Items	Buildings and constructions	Machinery equipment	Office and electronic equipment
I. Initial cost:			
Balance at 31 Dec. 2020	697,132,771.63	1,395,901.13	11,181,952.62
Changes in accounting policies			
Balance at 1 Jan. 2021	697,132,771.63	1,395,901.13	11,181,952.62
Increase during the reporting period:	95,382,645.97	858,313.78	1,475,031.76
(i) Acquisition	277,468.06	858,313.78	1,475,031.76
(ii) Transfer from construction in progress	43,542,344.33		
(iii) Transfer from inventories	51,562,833.58		
(iv) Gratuitous transfer			
Decrease during the reporting period:	81,411,156.65		
(i) Disposal or scrap			
(ii) Transfer out to investment properties	81,411,156.65		
Balance at 31 Dec. 2021	711,104,260.95	2,254,214.91	12,656,984.38

Items	Buildings and constructions	Machinery equipment	Office and electronic equipment
II. Accumulated depreciation			
Balance at 31 Dec. 2020	29,625,726.05	1,089,680.42	5,352,517.26
Changes in accounting policies			
Balance at 1 Jan. 2021	29,625,726.05	1,089,680.42	5,352,517.26
Increase during the reporting period:	27,038,078.08	203,852.06	1,543,381.27
(i) Provision	27,038,078.08	203,852.06	1,543,381.27
Decrease during the reporting period:	4,358,529.37		
(i) Disposal or scrap			
(ii) Transfer out to investment properties	4,358,529.37		
Balance at 31 Dec. 2021	52,305,274.76	1,293,532.48	6,895,898.53
III. Provision for impairment:			
Balance at 31 Dec. 2020			
Changes in accounting policies			
Balance at 1 Jan. 2021			
Increase during the reporting period:			
Decrease during the reporting period:			
Balance at 31 Dec. 2021			
IV. Carrying amount:			
Balance at 31 Dec. 2021	658,798,986.19	960,682.43	5,761,085.85
Balance at 31 Dec. 2020	667,507,045.58	306,220.71	5,829,435.36

(Continued)

Items	Vehicles	Special equipment	Total
I. Initial cost:			
Balance at 31 Dec. 2020	2,561,679.80		712,272,305.18
Changes in accounting policies			
Balance at 1 Jan. 2021	2,561,679.80		712,272,305.18
Increase during the reporting period:	225,121.21	1,201,836,500.00	1,299,777,612.72
(i) Acquisition	225,121.21		2,835,934.81
(ii) Transfer from construction in progress			43,542,344.33
(iii) Transfer from inventories			51,562,833.58
(iv) Gratuitous transfer		1,201,836,500.00	1,201,836,500.00
Decrease during the reporting period:	213,620.00		81,624,776.65
(i) Disposal or scrap	213,620.00		213,620.00
(ii) Transfer out to investment properties			81,411,156.65

Items	Vehicles	Special equipment	Total
Balance at 31 Dec. 2021	2,573,181.01	1,201,836,500.00	1,930,425,141.25
II. Accumulated depreciation			
Balance at 31 Dec. 2020	1,853,060.07		37,920,983.80
Changes in accounting policies			
Balance at 1 Jan. 2021	1,853,060.07		37,920,983.80
Increase during the reporting period:	215,304.12	10,015,304.17	39,015,919.70
(i) Provision	215,304.12	10,015,304.17	39,015,919.70
Decrease during the reporting period:	177,571.80		4,536,101.17
(i) Disposal or scrap	177,571.80		177,571.80
(ii) Transfer out to investment properties			4,358,529.37
Balance at 31 Dec. 2021	1,890,792.39	10,015,304.17	72,400,802.33
III. Provision for impairment:			
Balance at 31 Dec. 2020			
Changes in accounting policies			
Balance at 1 Jan. 2021			
Increase during the reporting period:			
Decrease during the reporting period:			
Balance at 31 Dec. 2021			
IV. Carrying amount:			
Balance at 31 Dec. 2021	682,388.62	1,191,821,195.83	1,858,024,338.92
Balance at 31 Dec. 2020	708,619.73		674,351,321.38

(b.2) Property, plant and equipment acquired under finance leases:

There is no such item.

(b.3) Property, plant and equipment acquired under operating leases:

There is no such item.

(c) Disposal of property, plant and equipment

There is no such item.

5.17 Construction in Progress

(a) Construction in progress by category

Items	31 Dec. 2021	31 Dec. 2020
Construction in progress	236,352,541.25	183,844,563.85
Construction materials		
Total	236,352,541.25	183,844,563.85

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Huzhou Logistics Centre Base	183,309,220.36		183,309,220.36	143,876,422.46		143,876,422.46
Other projects	53,043,320.89		53,043,320.89	39,968,141.39		39,968,141.39
Total	236,352,541.25		236,352,541.25	183,844,563.85		183,844,563.85

(b.2) Changes in significant projects of construction in progress

Projects	31 Dec. 2020	Increase during the reporting period	Transfer to property, plant and equipment	Decrease during the reporting period	31 Dec. 2021
Huzhou Logistics Centre Base	143,876,422.46	39,432,797.90			183,309,220.36
Total	143,876,422.46	39,432,797.90			183,309,220.36

(b.3) Provision for impairment during the reporting period:

There is no such item.

(c) Construction materials

There is no such item.

5.18 Intangible Assets

(a) General information of intangible assets

Items	Land use right	Computer software	Total
I. Initial cost:			
Balance at 31 Dec. 2020	86,278,340.08		86,278,340.08
Increase during the reporting period:		389,600.00	389,600.00
(i) Acquisition		389,600.00	389,600.00
Decrease during the reporting period:	10,408,234.38		10,408,234.38
(i) Transfer out to investment properties	10,408,234.38		10,408,234.38
Balance at 31 Dec. 2021	75,870,105.70	389,600.00	76,259,705.70
II. Accumulated amortization:			
Balance at 31 Dec. 2020	7,792,274.45		7,792,274.45
Increase during the reporting period:	2,285,124.41	12,986.67	2,298,111.08
(i) Provision	2,285,124.41	12,986.67	2,298,111.08
Decrease during the reporting period:	2,388,101.91		2,388,101.91
(i) Transfer out to investment properties	2,388,101.91		2,388,101.91
Balance at 31 Dec. 2021	7,689,296.95	12,986.67	7,702,283.62
III. Provision for impairment:			
Balance at 31 Dec. 2020			

Items	Land use right	Computer software	Total
Increase during the reporting period:			
Decrease during the reporting period:			
Balance at 31 Dec. 2021			
IV. Carrying amount:			
Balance at 31 Dec. 2021	68,180,808.75	376,613.33	68,557,422.08
Balance at 31 Dec. 2020	78,486,065.63		78,486,065.63

5.19 Long-term Deferred Expenses

Items	31 Dec. 2020	Increase during the reporting period	Amortization during the reporting period	Other decrease during the reporting period	31 Dec. 2021
Framework Road	3,583,300.03		466,541.41		3,116,758.62
Science and Innovation Center First Stage Building No.5 1st Floor Lecture Hall Renovation and Upgrading Project	2,433,121.90		316,789.58		2,116,332.32
Other projects	63,333,863.85	13,805.31	8,245,993.91		55,101,675.25
Others	50,545,829.44	42,777,098.04	19,015,764.63		74,307,162.85
Renovation costs		183,635.49	48,676.78		134,958.71
Total	119,896,115.22	42,974,538.84	28,093,766.31		134,776,887.75

5.20 Deferred Tax Assets and Deferred Tax Liabilities

(a) Deferred tax assets before offsetting

Items	31 Dec. 2021		31 Dec. 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for assets impairment losses	24,500,000.00	6,125,000.00	48,567,753.40	12,141,938.35
Provision for credit impairment losses	75,995,352.70	18,998,838.19		
Fair value loss of investment properties at the time of initial assessment	41,886.34	10,471.59		
Total	100,537,239.04	25,134,309.78	48,567,753.40	12,141,938.35

(b) Deferred tax liabilities before offsetting

Items	31 Dec. 2021		31 Dec. 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Change in fair value of investment properties	808,969,342.24	202,242,335.55	782,884,447.23	195,721,111.80
Pre-tax deductible depreciation impact amount of investment properties	60,314,212.91	15,078,553.23	60,314,212.92	15,078,553.23
Change in fair value of investment properties at the time of initial conversion	29,353,277.31	7,338,319.33		
Total	898,636,832.46	224,659,208.11	843,198,660.15	210,799,665.03

(c) Net balance of deferred tax liabilities and deferred tax assets after offsetting

There is no such item.

(d) Unrecognized deferred tax assets

Items	31 Dec. 2021	31 Dec. 2020
Deductible temporary differences	21,391,245.21	47,136.11
Total	21,391,245.21	47,136.11

5.21 Other Non-current Assets

Items	31 Dec. 2021	31 Dec. 2020
Zhejiang Teruisi Pharmaceutical Inc.		736,026,248.55
Microvast Power Systems Co., Ltd.	500,000,000.00	500,000,000.00
Lanjian Aerospace Technology Co., Ltd.	45,000,000.00	45,000,000.00
Beijing Lanjian Space Technology Co., Ltd. (Lanjian Aerospace Space Technology Co., Ltd.)	11,938,771.00	11,938,771.00
Linghui Technology Co., Ltd.	15,000,000.00	
Zhejiang Depps Medical Technology Co., Ltd.	20,467,123.00	
Margin for finance lease	213,900,000.00	
Margin for trust fund	81,109,000.00	
Total	887,414,894.00	1,292,965,019.55

5.22 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec. 2021	31 Dec. 2020
Guarantee loans	2,210,724,964.38	2,445,200,000.00
Pledge loans	772,300,000.00	1,356,800,000.00
Mortgage loans	135,000,000.00	120,000,000.00
Credit loans	240,565,875.00	-
Mortgage and guarantee loans	520,000,000.00	50,000,000.00

Items	31 Dec. 2021	31 Dec. 2020
Pledge and guarantee loans	-	-
Interest on short-term borrowings	4,503,752.47	-
Total	3,883,094,591.85	3,972,000,000.00

(b) Overdue short-term borrowings

There is no such item.

5.23 Notes Payable

Items	31 Dec. 2021	31 Dec. 2020
Bank acceptance bills		15,000,000.00
Commercial acceptance bills	24,335,088.00	64,450,000.00
Total	24,335,088.00	79,450,000.00

5.24 Accounts Payable

(a) Accounts payable categorized by aging

Aging	31 Dec. 2021		31 Dec. 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	563,019,314.06	65.42	262,068,035.66	60.85
1 to 2 years	130,097,974.53	15.12	143,774.05	0.03
2 to 3 years	70,107.25	0.01	769,962.00	0.18
Over 3 years	167,395,858.58	19.45	167,679,740.63	38.94
Total	860,583,254.42	100.00	430,661,512.34	100.00

5.25 Advances from Customers

(a) Advances from customers categorized by aging

Aging	31 Dec. 2021		31 Dec. 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	13,257,404.55	76.79	296,986,128.57	99.89
1 to 2 years	3,762,799.16	21.80	231,153.72	0.08
2 to 3 years	231,153.72	1.34	87,361.70	0.03
Over 3 years	12,333.00	0.07		
Total	17,263,690.43	100.00	297,304,643.99	100.00

5.26 Contract Liabilities

(a) General information of contract liabilities

Items	31 Dec. 2021	31 Dec. 2020
Advances from customers for goods	37,896.60	-
Advances from customers for projects	128,620,341.99	-
Advances from customers for houses	124,848,006.97	-

Items	31 Dec. 2021	31 Dec. 2020
Other advances from customers	23,500.00	-
Total	253,529,745.56	-

(b) The amount and reason for the significant change in carrying value of the current period:

There is no such item.

5.27 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Short-term employee benefits	183,279.22	53,013,141.37	52,351,231.75	845,188.84
Post-employment benefits-defined contribution plans	287,586.72	5,379,299.32	5,356,575.57	310,310.47
Termination benefits				
Other benefits due within one year				
Total	470,865.94	58,392,440.69	57,707,807.32	1,155,499.31

(b) Short-term employee benefits

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Salaries, bonuses, allowances and subsidies	120,800.00	39,525,623.63	38,862,174.40	784,249.23
Employee benefits		5,236,923.15	5,236,923.15	
Social insurance:	52,505.94	1,915,652.47	1,952,804.24	15,354.17
Health insurance	52,505.94	1,815,675.77	1,852,827.54	15,354.17
Injury insurance		99,976.70	99,976.70	
Birth insurance				
Housing accumulation fund		4,223,167.70	4,223,167.70	
Labor union funds and employee education funds	6,525.00	869,134.19	860,859.19	14,800.00
Short-term absence pays	3,448.28	1,242,640.23	1,215,303.07	30,785.44
Short-term profit-sharing plan				
Total	183,279.22	53,013,141.37	52,351,231.75	845,188.84

(c) Defined contribution plans

Items	31 Dec.2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Basic endowment insurance	283,681.22	5,191,307.21	5,169,824.89	305,163.54
Unemployment insurance	3,905.50	187,992.11	186,750.68	5,146.93

Items	31 Dec.2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Enterprise annuity				
Total	287,586.72	5,379,299.32	5,356,575.57	310,310.47

5.28 Taxes Payable

Items	31 Dec. 2021	31 Dec. 2020
Value added tax (VAT)	51,593,183.27	50,135,164.62
Business tax	13,649,466.95	13,649,466.95
Urban maintenance and construction tax	5,346,615.29	5,050,032.06
Enterprise income tax	199,185,278.30	198,470,464.99
Personal income tax	-32,581.37	23.54
Property tax	1,968,633.64	3,394,005.71
Urban land usage tax	8,213,528.62	7,542,533.08
Stamp duty	-1,331.00	184,229.05
Educational surcharge	3,591,141.91	3,381,637.85
Water conservancy construction fund	899,211.31	899,211.31
Others	1,136,913.60	1,136,913.60
Total	285,550,060.52	283,843,682.76

5.29 Other Payables

(a) Other payables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest payable		344,820,608.31
Dividend payable	947,222.22	
Other payables	1,552,787,422.89	1,292,604,905.68
Total	1,553,734,645.11	1,637,425,513.99

(b) Interest payable

Items	31 Dec. 2021	31 Dec. 2020
Interest on short-term borrowings		18,518,738.91
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity		90,288,111.18
Interest on long-term payables		22,535,138.78
Interest on bonds payable		188,215,536.11
Interest on other current liabilities		25,263,083.33
Total		344,820,608.31

Unpaid overdue interest with significant amount:

There is no such item.

(c) Dividend payable

Items	31 Dec. 2021	31 Dec. 2020
Dividends on ordinary shares		
Dividends on preference shares /perpetual bonds classified as equity instruments	947,222.22	
Including: Dividends on preference shares /perpetual bonds	947,222.22	
Total	947,222.22	

Significant balance of dividends payable with aging of over one year:

There is no such item.

(d) Other payables

(d.1) Disclosure of other payables by aging

Aging	31 Dec. 2021		31 Dec. 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	838,294,489.74	53.98	361,103,819.04	37.59
1 to 2 years	45,609,518.96	2.94	224,087,580.90	15.01
2 to 3 years	1,816,938.90	0.12	266,685,854.13	17.87
Over 3 years	667,066,475.29	42.96	440,727,651.61	29.53
Total	1,552,787,422.89	100.00	1,292,604,905.68	100.00

(d.2) Top five closing balances by entity

Items	31 Dec. 2021	Proportion of the balance to the total other payables (%)
Huzhou Xincheng Industry and Trade Co., Ltd.	652,500,000.00	42.02
Huzhou Nantaihu Construction Investment Management Co., Ltd.	380,000,000.00	24.47
Yangjiabu Sub-district Office of Huzhou Municipal People's Government	227,395,174.00	14.64
Huzhou Huanqiao Construction and Development Co., Ltd.	141,556,783.33	9.12
Huzhou Nantaihu Industrial Cluster Zone Construction and Development Co., Ltd.	52,850,000.00	3.40
Total	1,454,301,957.33	93.67

5.30 Non-current Liabilities Maturing within One Year

Items	31 Dec. 2021	31 Dec. 2020
Long-term borrowings maturing within one year	7,356,425,368.65	7,240,092,000.00
Bonds payable maturing within one year	859,516,268.61	1,082,320,952.40
Long-term payables maturing within one year	1,562,503,150.88	822,458,056.54
Other non-current liabilities maturing within one year	1,130,890,152.84	300,000,000.00
Interest on long-term borrowings maturing within one year	28,361,102.08	

Items	31 Dec. 2021	31 Dec. 2020
Interest on bonds payable maturing within one year	298,861,579.79	
Interest on long-term payables maturing within one year	29,454,351.67	
Interest on other non-current liabilities maturing within one year	20,046,038.44	
Total	11,286,058,012.96	9,444,871,008.94

5.31 Other Current Liabilities

Items	31 Dec. 2021	31 Dec. 2020
Output tax to be transferred	11,232,438.53	
Total	11,232,438.53	

5.32 Long-term Borrowings

Items	31 Dec. 2021	31 Dec. 2020
Credit loans	170,000,000.00	190,000,000.00
Guarantee loans	10,075,940,000.00	13,566,900,000.00
Pledge loans	1,702,428,698.27	2,215,850,000.00
Guarantee and mortgage loans	259,052,586.87	723,895,550.70
Guarantee and pledge loans	1,655,000,000.00	2,070,943,076.78
Guarantee, mortgage and pledge loans	40,000,000.00	80,000,000.00
Subtotal	13,902,421,285.14	18,847,588,627.48
Less: Long-term borrowings maturing within one year	7,356,425,368.65	7,240,092,000.00
Total	6,545,995,916.49	11,607,496,627.48

(b) Overdue long-term borrowings

There is no such item.

5.33 Bonds Payable

(a) General information of bonds payable

Items	31 Dec. 2021	31 Dec. 2020
21 Hujing 01	894,015,000.00	
21 Hujing 02	1,489,850,000.00	
16 Huantaihu MIN001	42,571,428.57	788,571,428.57
17 Huantaihu MTN001	700,000,000.00	700,000,000.00
18 Huantaihu PPN001		700,000,000.00
20 Huantaihu MTN001	1,500,000,000.00	1,500,000,000.00
20 Huanhu 01	1,900,000,000.00	1,900,000,000.00
Huantaihu International Dollar Bond	1,271,553,668.75	1,298,373,538.75
21 Huantaihu MTN001	995,100,000.00	
21 Huantaihu MTN002	499,112,250.00	
21 Huantaihu PPN001	996,333,333.33	

Items	31 Dec. 2021	31 Dec. 2020
21 Huanhu 01	598,066,037.73	
21 Huanhu 03	956,099,200.00	
21 Huanhu 04	338,444,981.13	
17 Xisaishan PPN001	565,361,142.86	565,644,000.00
19 Zhexisaishan Bond RZ001	294,155,125.75	288,310,251.51
20 Xisaishan PPN001	497,444,444.44	496,111,111.11
14 Xisaishan Bond		199,400,952.40
Zhejiang Equity Exchange Centre (Zhelitou)		182,920,000.00
21 Xisaishan PPN	598,000,000.00	
Subtotal	14,136,106,612.56	8,619,331,282.34
Less: Bonds payable maturing within one year	859,516,268.61	1,082,320,952.40
Total	13,276,590,343.95	7,537,010,329.94

(b) Changes in bonds payable (except for other financial instruments classified as financial liabilities such as preference shares and perpetual bonds)

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec. 2020	Including: Amount due within one year
16 Huantaihu MIN001	100.00	12 Aug. 2016	7 years	800,000,000.00	788,571,428.57	
17 Huantaihu MTN001	100.00	23 Aug. 2017	7 years	700,000,000.00	700,000,000.00	
20 Huantaihu MTN001	100.00	1 Sept. 2020	5 years	1,500,000,000.00	1,500,000,000.00	
20 Huanhu 01	100.00	14 Oct. 2020	5 years	1,900,000,000.00	1,900,000,000.00	
Huantaihu International Dollar Bond	100.00	17 Mar. 2020	3 years	1,401,880,000.00	1,298,373,538.75	
17 Xisaishan PPN001	100.00	27 Sept. 2017	5 years	600,000,000.00	565,644,000.00	
19 Zhexisaishan Bond RZ001	100.00	9 Dec. 2019	3 years	300,000,000.00	288,310,251.51	
20 Xisaishan PPN001	100.00	16 Dec. 2020	3 years	500,000,000.00	496,111,111.11	
18 Huantaihu PPN001	100.00	20 Nov. 2018	3 years	700,000,000.00	700,000,000.00	700,000,000.00
14 Xisaishan Bond	100.00	28 Apr. 2014	7 years	1,000,000,000.00	199,400,952.40	199,400,952.40
Zhejiang Equity Exchange Centre (Zhelitou)	100.00	24 Dec. 2018	3 years	190,640,000.00	182,920,000.00	182,920,000.00
21 Hujing 01	100.00	28 Sept. 2021	5 years	900,000,000.00		
21 Hujing 02	100.00	12 Nov. 2021	5 years	1,500,000,000.00		
21 Huantaihu MTN001	100.00	20 Jan. 2021	5 years	1,000,000,000.00		

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec. 2020	Including: Amount due within one year
21 Huantaihu MTN002	100.00	7 May 2021	5 years	500,000,000.00		
21 Huanhu 01	100.00	8 Feb. 2021	5 years	600,000,000.00		
21 Huanhu 03	100.00	29 Apr. 2021	5 years	960,000,000.00		
21 Huanhu 04	100.00	28 Jun. 2021	5 years	340,000,000.00		
21 Huantaihu PPN001	100.00	2 Sept. 2021	3 years	1,000,000,000.00		
21 Xisaishan PPN	100.00	31 Aug. 2021	3 years	600,000,000.00		
Total				16,992,520,000.00	8,619,331,282.34	1,082,320,952.40

(Continued)

Bonds	Issued amount during the reporting period	Issuance fee	Amortization of issuance fee	Repayment during the reporting period	Others	31 Dec. 2021	Including: Amount due within one year
16 Huantaihu MIN001				746,000,000.00		42,571,428.57	
17 Huantaihu MTN001						700,000,000.00	
20 Huantaihu MTN001						1,500,000,000.00	
20 Huanhu 01						1,900,000,000.00	
Huantaihu International Dollar Bond			2,869,065.00		29,688,935.00	1,271,553,668.75	
17 Xisaishan PPN001		2,508,000.00	2,225,142.86			565,361,142.86	565,361,142.86
19 Zhexisaishan Bond RZ001			5,844,874.24			294,155,125.75	294,155,125.75
20 Xisaishan PPN001			1,333,333.33			497,444,444.44	
18 Huantaihu PPN001				700,000,000.00			
14 Xisaishan Bond			599,047.60	200,000,000.00			
Zhejiang Equity Exchange Centre (Zhelitou)				182,920,000.00			
21 Hujing 01	900,000,000.00	6,300,000.00	315,000.00			894,015,000.00	
21 Hujing 02	1,500,000,000.00	10,500,000.00	350,000.00			1,489,850,000.00	
21 Huantaihu MTN001	1,000,000,000.00	6,000,000.00	1,100,000.00			995,100,000.00	
21 Huantaihu MTN002	500,000,000.00	1,005,000.00	117,250.00			499,112,250.00	
21 Huanhu 01	600,000,000.00	2,320,754.72	386,792.45			598,066,037.73	
21 Huanhu 03	960,000,000.00	4,416,000.00	515,200.00			956,099,200.00	
21 Huanhu 04	340,000,000.00	1,671,132.08	116,113.21			338,444,981.13	
21 Huantaihu PPN001	1,000,000,000.00	4,000,000.00	333,333.33			996,333,333.33	
21 Xisaishan PPN	600,000,000.00	2,400,000.00	400,000.00			598,000,000.00	
Total	7,400,000,000.00	41,120,886.80	16,505,152.02	1,828,920,000.00	29,688,935.00	14,136,106,612.56	859,516,268.61

(c) Conversion period and conditions for convertible bonds

There is no such item.

(d) Other financial instruments classified as financial liabilities

There is no such item.

5.34 Long-term Payables

(a) Long-term payables by category

Items	31 Dec. 2021	31 Dec. 2020
Long-term payables	6,424,931,875.10	3,667,148,984.06
Specific items payable	661,302,316.68	313,535,396.90
Subtotal	7,086,234,191.78	3,980,684,380.96
Less: Long-term payables maturing within one year	1,562,503,150.88	822,458,056.54
Total	5,523,731,040.90	3,158,226,324.42

(b) Specific items payable

Items	31 Dec. 2021	31 Dec. 2020
Special Central Fund Subsidies for Resettlement Community and Shantytown Reconstruction	5,366,544.00	5,366,544.00
Huzhou Nantaihu New District Finance Bureau	380,118,355.78	30,215,279.00
Capital Fund of 20 Hu hang Railway Project in Nantaihu New District		2,247,400.00
Huzhou Natural Resources and Planning Bureau, Huzhou Nantaihu New District Branch	111,243.00	
Construction Funds for Changhushen Fairway West Extension Project	50,000,000.00	50,000,000.00
Infrastructure spending for Kangshan Centre Fenghuang Center Community Health Service Center	8,160,000.00	8,160,000.00
Special Funds for Comprehensive Improvement of Small Towns in Tangkou	2,500,000.00	2,500,000.00
Special funds for Tiaoxi Qingshui Lake Follow-up Project	155,046,173.90	155,046,173.90
Central Construction Capital for Infrastructure Construction for Supportable Housing Projects (Southwest Primary School)	60,000,000.00	60,000,000.00
Total	661,302,316.68	313,535,396.90

5.35 Other Non-current Liabilities

Items	31 Dec. 2021	31 Dec. 2020
The First Phase of Debt Financing Plan in 2019		485,000,000.00
The Second Phase of Debt Financing Plan in 2019		300,000,000.00
20 Zhehuzhou Economic Development ZR001		298,670,000.00
20 Zhehuzhou Economic Development ZR002	499,300,000.00	498,900,000.00
20 Zhehuantaihu ZR002	200,000,000.00	200,000,000.00
21 Zhehuzhou Economic Development ZR001	249,831,250.00	
20 Zhexisaishan ZR001		209,021,069.90
20 Zhexisaishan ZR002	99,733,624.46	99,533,842.81
20 Zhexisaishan ZR003	277,691,962.68	278,694,759.86
20 Zhexisaishan ZR004	179,496,550.24	179,160,917.06
Total	1,506,053,387.38	2,548,980,589.63

5.36 Paid-in Capital

Investment entity	31 Dec. 2020		Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	
	Proportion of ownership interest (%)	Amount			Proportion of ownership interest (%)	Amount
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	100.00	500,000,000.00			100.00	500,000,000.00
Total	100.00	500,000,000.00			100.00	500,000,000.00

5.37 Other Equity Instruments

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Perpetual Debt of Zhongyuan Trust (Ping An Bank)		500,000,000.00		500,000,000.00
Total		500,000,000.00		500,000,000.00

5.38 Capital Reserves

Items	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Capital premium (share premium)	13,884,206,873.77			13,884,206,873.77
Other capital reserves	406,891,349.44	2,648,894,790.10		3,055,786,139.54
Total	14,291,098,223.21	2,648,894,790.10		16,939,993,013.31

Changes and relevant reasons for capital reserves during the reporting period:

- According to the documents of *the Notice on Injecting Pipe Network Assets within the Scope of Nantaihu New District into Your Company and Subsidiaries* and *the Confirmation Letter on the Value of Pipe Network Assets Assigned to Huzhou Jingkai Investment and Development Group Co., Ltd.* issued by Huzhou Nantaihu New District Administrative Committee, CNY1,201,836,500.00 of pipe network assets held by Huzhou Nantaihu New District Administrative Committee was gratuitously transferred to the Company's subsidiary Zhejiang Huzhou Huantaihu Group Co., Ltd. during the reporting period, which was included in capital reserves;
- According to the document of *the Letter on 2021 Fiscal Fund Budget Arrangement* issued by Huzhou Nantaihu New District Administrative Committee, the Company's subsidiary Zhejiang Huzhou Huantaihu Group Co., Ltd. received project fund subsidy from Huzhou Nantaihu New District Administrative Committee amounted to CNY116,700,400.00 during the reporting period, which was included in capital reserves;
- During the reporting period, the Company's subsidiary Zhejiang Huzhou Huantaihu Group Co., Ltd. derecognized the provision for impairment of other

equity instrument investment - Huzhou Huazhou Construction Development Co., Ltd. amounted to CNY3.50 million, which increased capital reserves;

- According to the document of *the Letter on 2021 Fiscal Fund Budget Arrangement* issued by Huzhou Nantaihu New District Administrative Committee, the Company's subsidiary Huzhou Xisaishan Development and Construction Co., Ltd. received appropriation from Huzhou Nantaihu New District Administrative Committee during the reporting period, which increased capital reserves by CNY1,298,955,590.10;
- According to the document of *the Notice on Arranging Asset Injection of Huzhou Chengxi New Rural Construction and Investment Co., Ltd. in 2021* issued by Huzhou Nantaihu New District Administrative Committee, Building 4, Yucuiwan, No.169, Jiashanyang Road, Huzhou (Country Garden Farm Market) and Room 103, Building 12 Huijingyuan, Huzhou (Farm Market) were gratuitously transferred to the Company's subsidiary Huzhou Chengxi New Rural Construction and Investment Co., Ltd., which increased capital reserves by CNY17,902,300.00;
- During the reporting period, the Company's subsidiary Huzhou Xisaishan Development and Construction Co., Ltd. together cooperated with social capital (5 companies including China Railway Construction) and established a project company - Railway Construction City Development (Huzhou) Development Construction Co., Ltd. Huzhou Xisaishan Development and Construction Co., Ltd. invested CNY5.00 million with 5.00% shareholding. Due to its substantial right to participate in decision-making, it could exert significant influence on the operation of the project company. Its investment was recognized as long-term equity investments, which increased other capital reserves by CNY10.00 million.

5.39 Other Comprehensive Income

Items	31 Dec. 2020	Changes during the reporting period					31 Dec. 2021
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Items that will not be reclassified subsequently to profit or loss							
Including: Changes of remeasurement of the defined benefit plan							
Other comprehensive							

Items	31 Dec. 2020	Changes during the reporting period					31 Dec. 2021
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
income will not be reclassified into profit or loss under equity method							
Items that may be reclassified subsequently to profit or loss	433,674,465.40	38,849,341.82		7,338,319.33	31,511,022.49		465,185,487.89
Including: Other comprehensive income will be reclassified into profit or loss under equity method	350,663,972.81						350,663,972.81
Exchange differences on translating foreign operations	35,241,732.76	9,496,064.53			9,496,064.53		44,737,797.29
The part of the fair value greater than the book value on the conversion date when the self-use real estate or inventory is converted to the investment real estate measured by the fair value model	47,768,759.83	29,353,277.29		7,338,319.33	22,014,957.96		69,783,717.79
Total	433,674,465.40	38,849,341.82		7,338,319.33	31,511,022.49		465,185,487.89

5.40 Surplus Reserves

Items	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021
Statutory surplus reserves	206,932,044.90	-3,456,967.64	203,475,077.26			203,475,077.26
Total	206,932,044.90	-3,456,967.64	203,475,077.26			203,475,077.26

5.41 Retained Earnings

Items	2021	2020
Balance at the end of last period before adjustments	2,989,416,040.60	2,613,298,611.89
Adjustments for the opening balance (increase /(decrease))	-40,111,819.25	
Balance at the beginning of the reporting period after adjustments	2,949,304,221.35	2,613,298,611.89
Add: Net profit attributable to owners of the parent company for the reporting period	354,815,116.19	398,867,428.71
Less: Appropriation to statutory surplus reserves		
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends	10,020,000.00	22,750,000.00
Ordinary shares dividends converted into share capital		
Others	18,724,000.05	
Balance at the end of the reporting period	3,275,375,337.49	2,989,416,040.60

Note: The "Others" is dividends payable on other equity instruments in the current period.

5.42 Revenue and Cost of Sales

(a) Disclosure of revenue and cost of sales

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	2,412,219,904.70	2,171,169,452.72	3,088,448,904.11	2,838,230,711.93
Other activities	8,083,119.89	3,801,779.76	3,413,728.25	22,423.63
Total	2,420,303,024.59	2,174,971,232.48	3,091,862,632.36	2,838,253,135.56

(b) Revenue and cost of sales by categories

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Entrusted construction projects	954,511,255.67	825,673,266.04	1,016,726,049.49	878,795,516.29
Land consolidation and development income	501,261,885.86	417,718,238.22	629,129,971.20	524,274,976.00
Real estate sales	4,153,661.41	2,016,908.55	15,327,693.35	11,326,036.04
Asset rental	72,531,489.11	44,319,621.87	20,096,785.97	19,858,740.75
Property management income	26,416,165.80	32,608,156.29	37,440,311.67	35,150,363.20
Goods trade income	841,729,655.32	840,925,561.11	1,369,549,051.51	1,368,502,558.90
Hotel operation	6,454,819.77	544,383.39	3,512,117.15	322,520.75
Canteen catering income	3,152,883.80	3,371,373.85		

Items	2021		2020	
	Revenue	Costs of sales	Revenue	Costs of sales
Others	10,091,207.85	7,793,723.16	80,652.02	22,423.63
Total	2,420,303,024.59	2,174,971,232.48	3,091,862,632.36	2,838,253,135.56

5.43 Taxes and Surcharges

Items	2021	2020
Urban maintenance and construction tax	740,207.31	265,670.01
Educational surcharge	318,013.73	189,760.73
Local educational surcharge	208,656.05	
Land value-added tax		4,691,429.87
Property tax	7,983,274.12	3,961,140.29
Urban land use tax	2,606,236.37	7,234,410.64
Stamp duty	780,197.65	328,660.45
Vehicle and vessel usage tax		30.88
Total	12,636,585.23	16,671,102.87

5.44 Finance Costs

Items	2021	2020
Interest expenses	167,526,852.92	129,913,932.77
Less: Interest income	37,950,376.42	34,738,819.98
Net interest expenses	129,576,476.50	95,175,112.79
Foreign exchange losses	1,283,470.77	20,963,727.79
Less: Foreign exchange gains	0.06	
Net foreign exchange losses	1,283,470.71	20,963,727.79
Bank charges	15,325,654.90	7,951,920.42
Financing advisory fees		4,277,163.79
Total	146,185,602.11	128,367,924.79

5.45 Other Income

Items	2021	2020	Related to assets /income
Subsidies for infrastructure maintenance	423,467,768.34	379,000,000.00	Related to income
Subsidies for beautiful district creation	500,000.00		Related to income
Return of individual income tax declaration fee	2,632.12		Related to income
Subsidy for job stabilization	4,106.54	47,393.73	Related to income
Tax return	3,435.61		Related to income
VAT exemption or reduction	158,640.27		Related to income
Total	424,136,582.88	379,047,393.73	

Notes:

- According to the document of *the Letter on 2021 Fiscal Fund Budget Arrangement* issued by Huzhou Nantaihu New District Administrative Committee, the Company's subsidiary Zhejiang Huzhou Huantaihu Group Co., Ltd. received subsidy funds from Huzhou Nantaihu New District Administrative Committee amounted to CNY303,467,768.34, which was recognized as other income;
- According to the document of *the Letter on 2021 Fiscal Fund Budget Arrangement* issued by Huzhou Nantaihu New District Administrative Committee, the Company's subsidiary Huzhou Xisaishan Development and Construction Co., Ltd. received subsidy funds from Huzhou Nantaihu New District Administrative Committee amounted to CNY120.00 million, which was recognized as other income;
- The Company's subsidiary Huzhou Jingkai Property Management Co., Ltd. received the subsidies for beautiful district creation from Huzhou People's Government Longxi Street Office amounted to CNY0.50 million, which was recognized as other income;
- During the reporting period, the handling fee for withholding tax from individual tax received amounted to CNY2,632.12, the tax return amounted to CNY158,640.27 and the subsidy for job stabilization amounted to CNY4,106.54 were recognized as other income.

5.46 Investment Income/(Losses)

Items	2021	2020
Investment income from long-term equity investments under equity method	-271,432.77	11,225,857.28
Investment income from held-for-trading financial assets during holding period	5,774,520.55	—
Dividends earned from other equity instrument investments during holding period	208,284.50	—
Investment income from held-for-trading financial assets during holding period	—	302,536.03
Gains on disposal of available-for-sale financial assets	—	1,563,584.41
Total	5,711,372.28	13,091,977.72

5.47 Gains/(Losses) from Changes in Fair Values

Sources of gains on changes in fair value	2021	2020
Investment properties measured at fair value	26,043,008.67	64,723,155.48
Total	26,043,008.67	64,723,155.48

5.48 Credit Impairment Losses

Items	2021	2020
Bad debt loss of accounts receivable	2,623,006.70	-

Items	2021	2020
Bad debt loss of other receivables	18,928,061.35	-
Total	21,551,068.05	-

5.49 Impairment Loss of Assets

Items	2021	2020
Bad debt	-	-2,674,572.28
Total	-	-2,674,572.28

5.50 Non-operating Income

(a) Details of non-operating income

Items	2021	2020
Government grants irrelevant to daily operation activities		1,122.20
Penalty and confiscatory income		155,961.00
Insurance indemnity	5,500.00	22,924.26
Others	218,076.59	30,931.92
Waste income		1,118,561.77
Total	223,576.59	1,329,501.15

5.51 Non-operating Expenses

Items	2021	2020
Loss from damage or scrappage of non-current assets	36,048.20	
Donations		10,000.00
Fines and overdue payment	211,625.41	5,513,502.32
Others	547,237.63	2,082,314.09
Total	794,911.24	7,605,816.41

5.52 Income Tax Expenses

Items	2021	2020
Current tax expenses	1,633,908.26	10,875,174.56
Deferred tax expenses	5,180,582.04	16,860,281.41
Total	6,814,490.30	27,735,455.97

5.53 Supplementary Information to the Statement of Cash Flows

(a) Supplementary information to the statement of cash flows

Supplementary information	2021	2020
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	358,158,506.15	398,450,537.93
Add: Provisions for impairment of assets		-2,674,572.28
Credit impairment loss	21,551,068.05	

Supplementary information	2021	2020
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	39,015,919.70	28,505,382.33
Amortization of intangible assets	2,298,111.08	662,213.79
Amortization of long-term deferred expenses	16,377,307.15	9,029,324.90
Losses/(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets		
Losses/(gains) on scrapping of property, plant and equipment	36,048.20	
Losses /(gains) on changes in fair value	-26,043,008.67	-64,723,155.48
Finance costs /(income) recognized in profit or loss	166,243,382.21	156,569,049.20
Investment losses /(income) recognized in profit or loss	-5,711,372.28	-13,091,977.72
Decreases /(increases) in deferred tax assets	-5,641,161.01	679,492.55
Increases /(decreases) in deferred tax liabilities	6,590,565.87	16,180,788.86
Decreases /(increases) in inventories	-3,620,040,090.17	-4,190,110,819.77
Decreases /(increases) in operating receivables	-2,524,274,035.85	-4,339,856,965.35
Increases /(decreases) in operating payables	1,786,637,307.56	5,715,164,383.05
Net cash flows from operating activities	-3,784,801,452.01	-2,285,216,317.99
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	2,175,632,828.64	2,020,580,774.91
Less: Cash at the beginning of the reporting period	2,020,580,774.91	1,609,463,318.44
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	155,052,053.73	411,117,456.47

(b) The components of cash and cash equivalents

Items	31 Dec. 2021	31 Dec. 2020
(i) Cash	2,175,632,828.64	2,020,580,774.91
Including: Cash on hand	14,166.81	12,359.40
Cash in bank available for immediate use	2,175,610,905.10	2,020,568,415.51
Other monetary funds available for immediate use	7,756.73	
Deposit in the central banks available for		

Items	31 Dec. 2021	31 Dec. 2020
immediate use		
Deposits in other banks		
Interbank lending		
(ii) Cash equivalents	2,175,632,828.64	2,020,580,774.91
Including: Bond investments maturing within three months		
(iii) Cash and cash equivalents at the end of the reporting period	2,175,632,828.64	2,020,580,774.91
Including: Restricted cash and cash equivalents of the parent company and the subsidiaries of the group	2,038,192,893.15	2,894,663,030.00

5.54 Restricted Assets

Items	31 Dec. 2021	Reason
Cash and cash equivalents	2,038,192,893.15	Loan pledges, loan margins, time deposits, structural deposits
Inventories	1,047,563,939.18	Loan mortgages
Investment properties	1,152,971,100.00	Loan mortgages
Total	4,238,727,932.33	

5.55 Foreign Currency Monetary Items

(a) Foreign currency monetary items

Items	Foreign currency balance at 31 Dec. 2021	Exchange rate	CNY balance at 31 Dec. 2021
Cash and cash equivalents	55,290,292.34	6.3757	352,514,316.88
Including: USD	55,290,292.34	6.3757	352,514,316.88
Bonds payable	199,437,500.00	6.3757	1,271,553,668.75
Including: USD	199,437,500.00	6.3757	1,271,553,668.75

(b) Details of overseas operating entities:

- (b.1) In December 2016, the Company invested USD1.00 and established Huantaihu International Investment Co., Ltd. with 100.00% shareholding. The registered address of Huantaihu International Investment Co., Ltd. is British Virgin Islands, and the main principal place of business is Hong Kong, so this company uses USD as its base currency.
- (b.2) In December 2016, the Company invested USD1.00 and established Rongyuan International Investment Co., Ltd. with 100.00% shareholding. The registered address and main principal place of business of Rongyuan International Investment Co., Ltd. is Hong Kong, so this company uses USD as its base currency.

5.56 Government Grants

(a) Government grants related to assets

There is no such item.

(b) Government grants related to income

Items	Amount	Items presented in the statement of financial position	Amount recorded in the current profit or loss or offset the loss of related costs and expenses	Accounts recorded
Return of individual income tax declaration fee	2,632.12	Cash and cash equivalents	2,632.12	Other income
Subsidies for infrastructure maintenance	423,467,768.34	Cash and cash equivalents	423,467,768.34	Other income
Subsidies for beautiful district creation	500,000.00	Cash and cash equivalents	500,000.00	Other income
Subsidy for job stabilization	4,106.54	Cash and cash equivalents	4,106.54	Other income
Tax return	3,435.61	Cash and cash equivalents	3,435.61	Other income
VAT exemption or reduction	158,640.27	Cash and cash equivalents	158,640.27	Other income
Total	424,136,582.88		424,136,582.88	

(c) Amount repaid to the government and reason:

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not under Common Control

There is no such item.

6.2 Business Combination under Common Control

There is no such item.

6.3 Disposal of Subsidiaries

There is no such item.

6.4 Other Situations Leading to Changes in the Scope of Consolidation

- (a) On 16 March 2021, the Company invested and established Huzhou Jingkai Products Management Co., Ltd. with 100.00% shareholding. The registered capital of this company is CNY200.00 million. As at 31 December 2021, the actual investment is CNY149.50 million.
- (b) On 6 May 2021, the Company invested and established Huzhou Jingkai Petrochemical Co., Ltd. with 51.00% shareholding. The registered capital of this company is CNY2.00 million. As at 31 December 2021, the company has not actually invested.
- (c) On 13 July 2021, the Company's subsidiary, Huzhou Jingkai Products Management Co., Ltd., invested and established Huzhou Jingkai Wisdom Parking Management Co., Ltd. with 100.00% shareholding indirectly. The registered capital of this company is CNY10.00 million. As at 31 December 2021, the actual investment of

Jingkai Products Management Company is CNY4,409,000.00.

- (d) On 5 August 2021, the Company's subsidiary, Huzhou Jinshi Equity Investment Co., Ltd. was in partnership with Huzhou Jinsheng Equity Investment Partnership (Limited Partnership) to establish Huzhou Jinkun Equity Investment Partnership (Limited Partnership) with 100.00% shareholding indirectly. The registered capital of this company is CNY1.00 billion. As at 31 December 2021, Jinshi Company has actually invested CNY21.05 million.
- (e) On 5 August 2021, the Company's subsidiary, Huzhou Jinshi Equity Investment Co., Ltd. was in partnership with Huzhou Jinsheng Equity Investment Partnership (Limited Partnership) to establish Huzhou Jinyu Equity Investment Partnership (Limited Partnership) with 100.00% shareholding indirectly. The registered capital of this company is CNY1.00 billion. As at 31 December 2021, Jinshi Company has actually invested CNY41,142,400.00.
- (f) On 2 November 2021, the Company invested and established Huzhou Xinchuang Park Development and Operation Co., Ltd. with 100.00% shareholding. The registered capital of this company is CNY200.00 million. As at 31 December 2021, the company has not actually invested.
- (g) On 19 November 2021, the Company invested and established Huzhou Jingkai New Energy Technology Co., Ltd. with 65.00% shareholding. The registered capital of this company is CNY50.00 million. As at 31 December 2021, the actual investment is CNY1.30 million.
- (h) On 2 September 2021, Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd. has already been cancelled.

7. INTERESTS IN OTHER ENTITIES

7.1 Interests in Subsidiaries

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou	Huzhou	Infrastructure development and construction	100.00		Transfer
Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Business services		88.1988	Transfer
Huzhou Saihan Equity	Huzhou	Huzhou	Business services		69.5122	Transfer

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Investment Partnership (Limited Partnership)						
Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Development of Logistics Park		90.9091	Set up
Rongyuan International Investment Co., Ltd.	Hong Kong	Hong Kong	Investment activity		100.00	Set up
Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of Electronic Information Industrial Park		100.00	Set up
Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of science and Technology City Project		100.00	Set up
Huantaihu International Investment Co., Ltd.	Hong Kong	British Virgin Islands	Investment activity		100.00	Set up
Huzhou Bonded Logistics Center Co., Ltd.	Huzhou	Huzhou	Warehousing services		100.00	Set up
Huzhou Bonded Logistics Center International Trade Co., Ltd.	Huzhou	Huzhou	Transportation, storage and post		100.00	Set up
Huzhou Jingkai Property Management Co., Ltd.	Huzhou	Huzhou	Property management		100.00	Set up
Jin Kai Catering Service (Huzhou) Co., Ltd.	Huzhou	Huzhou	Catering		100.00	Set up
Huzhou Huanhu Yijia Pension Service Co., Ltd.	Huzhou	Huzhou	Management of pension institutions		65.00	Set up
Huzhou Jingkai Hotel Management Co., Ltd.	Huzhou	Huzhou	Hotel management		100.00	Set up
Huzhou Jingkai International Logistics Park Development Co., Ltd.	Huzhou	Huzhou	Logistics management		100.00	Business combination not under common control
Huzhou Jingkai Bonded	Huzhou	Huzhou	Handling and		100.00	Set up

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
International Trade Co., Ltd.			storage			
Huzhou Ruijing Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail		70.00	Set up
Huzhou Jinshi Equity Investment Co., Ltd.	Huzhou	Huzhou	Business services		100.00	Set up
Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		51.0044	Set up
Huzhou Jinkun Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Jinyu Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		100.00	Set up
Huzhou Jingkai Products Management Co., Ltd.	Huzhou	Huzhou	Journalism and publishing		100.00	Set up
Huzhou Jingkai Wisdom Parking Management Co., Ltd.	Huzhou	Huzhou	Parking lot management		100.00	Set up
Huzhou Xinchuang Park Development and Operation Co., Ltd.	Huzhou	Huzhou	Park development		100.00	Set up
Huzhou Jingkai New Energy Technology Co., Ltd.	Huzhou	Huzhou	New Energy Development		65.00	Set up
Huzhou Jingkai Petrochemical Co., Ltd.	Huzhou	Huzhou	Petrochemical Sales		51.00	Set up
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou	Huzhou	Infrastructure development and construction	100.00		Transfer
Huzhou Chengxi New Rural Construction Co., Ltd.	Huzhou	Huzhou	Investment in new rural construction		100.00	Set up
Huzhou Jingqiao Trading Co., Ltd.	Huzhou	Huzhou	Trade		51.00	Set up
Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Huzhou	Huzhou	Urban infrastructure construction		100.00	Set up
Huzhou Ruizhong Trade	Huzhou	Huzhou	Trade		70.00	Set up

Name of subsidiary	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Co., Ltd.						

(a.1) Note to the differences between the share of equity interests and that of voting rights:

There is no such item.

(a.2) Basis for having control power over the investees with voting rights of 50.00% or lower, and having no control power over the investee with voting rights above 50.00%:

There is no such item.

(a.3) Basis for control power over important structured entities within the scope of consolidation:

There is no such item.

(a.4) Basis for defining the Company as an agent or a principal:

There is no such item.

(b) Important non-wholly owned subsidiary

Name of subsidiary	Percentage of equity interests held by minority shareholders (%)	Profit or loss attributable to non-controlling interests during the reporting period	Dividends paid to non-controlling interests during the reporting period	Non-controlling interests at the end of the reporting period
Huzhou Ruizhong Trade Co., Ltd.	30.00	83,679.77		123,582.76
Huzhou Jingqiao Trading Co., Ltd.	49.00	-618.69		980,003,432.52

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

Illustration for the change of share of subsidiary's equity interests:

There is no such item.

7.3 Interests in Joint Arrangements or Associates

(a) Material joint ventures or associates

Name of joint ventures or associates	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Joint ventures:						
None						
Associates:						
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Huzhou	Huzhou	Nantaihu Investment Management		21.71	Equity method

(a.1) Note to the differences between the share of equity interests and that of voting rights:

There is no such item.

(a.2) Basis for having significant influence over the investees with voting rights of less than 20.00%, and having no significant influence over the investee with voting rights above 20.00% or above:

- The Company holds 20.00% shareholding of Huzhou Xinhua Environmental Protection Technology Co., Ltd. As at 31 December 2021, CNY20.00 million has already been invested. As the Company does not participate in the operation and management, it has no significant influence on this invested company that is included in other equity instrument investments.

7.4 Important Joint Operations

There is no such item.

8. FAIR VALUE DISCLOSURES

8.1 Assets and Liabilities Measured at Fair Value at 31 December 2021

Items	Fair value at 31 Dec. 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
(a) Held-for-trading financial assets			135,774,520.55	135,774,520.55
(b) Other equity instrument investments			289,048,000.00	289,048,000.00
(c) Other non-current financial assets			591,003,327.11	591,003,327.11
(d) Investment properties:			2,413,040,143.62	2,413,040,143.62
● Buildings held to earn rentals			2,413,040,143.62	2,413,040,143.62

8.2 Basis for the Quoted Prices in Active Markets for Level 1 of the Fair Value Hierarchy

There is no such item.

8.3 Valuation Technique(s), Qualitative Information and Quantitative Information

about the Significant Inputs Used in Level 2 of the Fair Value Hierarchy

There is no such item.

8.4 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 3 of the Fair Value Hierarchy

For the financial instruments not traded on active market and also unable to obtain the market comparable companies' model, Level 3 of the fair value hierarchy is used for review. Since the operating environment, operating conditions and financial status of the invested entity have not changed significantly, the Company measures the investment cost as a reasonable estimate of the fair value.

According to *the Assets Appraisal Criteria - Real Estate*, and by reference to *Guidance on Evaluation of Investment Properties* and *Norms for Real Estate Valuation*, the basic methods of investment properties appraisal include income approach and market approach. For the commercial and office parts of the company's assets, there are many similar property sales cases in the regional market, so it is appropriate to adopt the market approach for evaluation. The profitable assets held by the Company are under normal lease operation, and the lease contract and other information are relatively complete. Besides, the comprehensive lease price of the region where the appraisal object is located can be collected, so it is appropriate to use the income approach for evaluation.

At the end of the period, the Company's investment properties are from (i) Zhejiang Huzhou Huantaihu Group Co., Ltd., Huzhou Rongyuan Technology City Construction Development Co., Ltd., Huzhou Jingkai Products Management Co., Ltd. and Huzhou Jingkai International Logistics Park Development Co., Ltd., and the closing balance of investment properties is evaluated by Zhongshui Zhiyuan Pingbaozi [2022] No.020301 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Zhiyuan Asset Evaluation Co., Ltd.; (ii) Huzhou Xisaishan Development and Construction Co., Ltd., Huzhou Chengxi New Rural Construction Co., Ltd. and Huzhou Nantaihu Kechuang Construction and Development Co., Ltd., and the closing balance of investment properties is evaluated by Zhongshui Zhiyuan Pingbaozi [2022] No.020302 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Zhiyuan Asset Evaluation Co., Ltd.

8.5 Reconciliations from the Opening Balances to the Closing Balances and the Sensitivities of Significant Unobservable Inputs for Recurring Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

There is no such item.

8.6 Amounts and Reasons of Any Transfers into or out of Each Level of the Fair Value Hierarchy and the Reporting Entity's Policy for Determining when Transfers between Levels are Deemed to have Occurred for Recurring Fair Value Measurements

There is no such item.

8.7 Change in the Valuation Technique and the Reason(s) for Such Changes

There is no such item.

8.8 Financial Assets or Financial Liabilities which are not Measured at Fair Value

There is no such item.

8.9 Others

There is no such item.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

Recognition criteria for related parties:

- One party controls, jointly controls or has significant influence on the other; and
- Two or over two parties are controlled or jointly controlled by the same party.

9.1 Basic Information of Parent Company

Name of the parent	Registered address	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	Huzhou	100.00	100.00

The Company's ultimate controlling party is State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government.

9.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

9.3 Joint Ventures and Associates of the Company

(a) Basic information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Note 7 INTERESTS IN OTHER ENTITIES*.

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods:

There is no such item.

9.4 Other Related Parties of the Company

Name	Relationship with the Company
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Associates
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	Associates

9.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

There is no such item.

(b) Entrustment/Contracting

There is no such item.

(c) Leases

There is no such item.

(d) Guarantees

(d.1) The Company as guarantor:

Guarantor	Guarantee	Guarantee amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Huzhou Economic Development Group Co., Ltd.	Huzhou Huanqiao Construction and Development Co., Ltd.	220,000.00	From 28 Sept. 2021 to 28 Sept. 2028	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	34,200.00	From 31 Mar. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	21,252.20	From 8 Jan. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	2,921.70	From 22 Jan. 2021 to 21 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	1,379.30	From 25 Mar. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	5,437.60	From 13 Aug. 2021 to 7 Jan. 2026	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.	3,715.00	From 3 Dec. 2021 to 7 Jan. 2026	Not yet
Total		288,905.80		

(d.2) The Company as guarantee:

Guarantor	Guarantee	Guaranteed amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	200,000.00	From 5 Mar. 2021 to 5 Mar. 2022	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	100,000.00	From 10 Jun. 2021 to 19 Mar. 2022	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Huzhou Economic Development Group Co., Ltd.	50,000.00	From 25 Jun. 2021 to 29 Mar. 2022	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Zhejiang Huzhou Huantaihu Group Co., Ltd.	110,000.00	From 19 Nov. 2020 to 19 Nov. 2023	Not yet
Zhejiang Nantaihu Holding Group Co., Ltd.	Zhejiang Huzhou Huantaihu Group Co., Ltd.	292,100.00	From 18 Dec. 2020 to 15 Jan. 2022	Not yet

Guarantor	Guarantee	Guaranteed amount ('000)	Guarantee period	Whether the guarantee has been fulfilled
Huzhou Xincheng Public Engineering Co., Ltd.	Huzhou Xisaishan Development and Construction Co., Ltd.	125,000.00	From 7 Jan. 2021 to 7 Jan. 2024	Not yet
Huzhou Industrial Investment and Development Group Co., Ltd.	Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	119,000.00	From 21 Dec. 2021 to 10 May 2024	Not yet
Total		996,100.00		

(e) Borrowings and lendings

There is no such item.

(f) Transfers of assets and debt restructuring

There is no such item.

(g) Key management personnel compensation

There is no such item.

(h) Other related party transactions

There is no such item.

9.6 Receivables and Payables with Related Parties

(a) Receivables

There is no such item.

(b) Payables

Items	Related parties	31 Dec. 2021	31 Dec. 2020
Other payables	Huzhou Nantaihu Construction Investment Management Co., Ltd.	380,000,000.00	380,000,000.00

9.7 Commitments with Related Parties

There is no such item.

9.8 Others

There is no such item.

10. COMMITMENTS AND CONTINGENCIES

10.1 Significant Commitments

As at 31 December 2021, the Company has no significant commitments need to be disclosed.

10.2 Contingencies

Significant contingencies existing at the balance sheet date:

(a) Contingent liabilities arising from outstanding litigations and the estimate of the financial effects:

There is no such item.

(b) Contingent liabilities resulting from debt guarantees of other entities and the estimate of the financial effects

Guarantor	Guarantee	Guarantee period	Guaranteed amount ('000)	Whether the guarantee has been fulfilled
Huzhou Economic Development Group Co., Ltd.	Huzhou Industrial Investment and Development Group Co., Ltd.	From 30 Apr. 2020 to 29 Apr. 2022	400,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 7 Feb. 2021 to 6 Feb. 2022	80,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 30 Aug. 2021 to 30 Aug. 2022	200,000.00	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 6 Mar. 2020 to 30 Dec. 2022	150,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 15 May 2019 to 15 May 2024	250,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd. and Huzhou Xisaishan Development and Construction Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 17 Nov. 2021 to 17 Nov. 2022	171,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 27 Apr. 2020 to 26 Apr. 2022	100,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	From 17 Mar. 2020 to 16 Mar. 2022	50,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	From 9 Dec. 2021 to 8 Dec. 2022	60,000.00	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	From 7 Jan. 2021 to 7 Jan. 2024	140,000.00	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	From 30 Mar. 2021 to 31 Mar. 2022	75,500.00	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	From 27 Mar. 2019 to 19 Jan. 2046	37,400.00	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	From 6 Feb. 2017 to 19 Jan. 2046	112,000.00	Not yet

Guarantor	Guarantee	Guarantee period	Guaranteed amount ('000)	Whether the guarantee has been fulfilled
Total			1,825,900.00	

(c) Other contingent liabilities and the corresponding financial effects

There is no such item.

10.3 Others

There is no such item.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Significant Non-adjusting Events

There is no such item.

11.2 Profit Distribution

There is no such item.

11.3 Sales Returns

There is no such item.

11.4 Others

In January 2022, 51.00% shareholding of Huzhou Huanqiao Construction and Development Co., Ltd. held by Huzhou Lvqiao Industrial Investment Co., Ltd. was gratuitously transferred to the Company's subsidiary Zhejiang Huzhou Huantaihu Group Co., Ltd. So far, the Company holds 100.00% shareholding of Huzhou Huanqiao Construction and Development Co., Ltd.

12. OTHER SIGNIFICANT MATTERS

There is no such item.

13. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

13.1 Other Receivables

(a) Other receivables by category

Items	31 Dec. 2021	31 Dec. 2020
Interest receivable		33,681,458.33
Dividend receivable		
Other receivables	6,922,431,211.18	3,600,928,889.23
Total	6,922,431,211.18	3,634,610,347.56

(b) Interest receivable

(b.1) Interest receivable by category

Items	31 Dec. 2021	31 Dec. 2020
Time deposits		33,681,458.33
Total		33,681,458.33

(b.2) Significant overdue interest

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other receivables

(d.1) Other receivables by aging

Aging	31 Dec. 2021	31 Dec. 2020
Within 1 year (including 1 year)	4,066,326,341.41	2,875,994,931.30
1 to 2 years	2,152,499,126.33	1,285,000.00
2 to 3 years	1,285,000.00	303,650,697.74
Over 3 years	723,650,697.74	420,000,000.00
Subtotal	6,943,761,165.48	3,600,930,629.04
Less: Provision for bad debt	21,329,954.30	1,739.81
Total	6,922,431,211.18	3,600,928,889.23

(d.2) Other receivables by bad debt provision method

(d.2.1) As at 31 December 2021, provision for bad debt recognized based on three stages model

Stages	Other receivables	Provision for bad debt	Carrying account
Stage 1	6,943,761,165.48	21,329,954.30	6,922,431,211.18
Stage 2			
Stage 3			
Total	6,943,761,165.48	21,329,954.30	6,922,431,211.18

(d.2.1.1) As at 31 December 2021, provision for bad debt at stage 1:

Category	Other receivables	Provision ratio (%)	Provision for bad debt	Carrying amount
Other receivables with provision for bad debt recognized individually				
Other receivables with bad debt provision recognized collectively by portfolio	6,943,761,165.48	0.31	21,329,954.30	6,922,431,211.18
Portfolio 1: Receivables due from related party customers within the scope of consolidation of Jinkai Group	3,623,933,325.90			3,623,933,325.90
Portfolio 2: Receivables due from other related party customers and government customers	3,214,698,615.14	0.50	16,073,493.08	3,198,625,122.06
Portfolio 3: A portfolio of underlying expected credit losses based on the aging sheet	105,129,224.44	5.00	5,256,461.22	99,872,763.22
Total	6,943,761,165.48	0.31	21,329,954.30	6,922,431,211.18

(d.2.1.1.1) As at 31 December 2021, other receivables with provision for bad debt recognized individually:

There is no such item.

(d.2.1.1.2) As at 31 December 2021, details of other receivables in Portfolio 1 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	2,469,242,802.61		
1 to 2 years	1,154,690,523.29		
2 to 3 years			
Over 3 years			
Total	3,623,933,325.90		

(d.2.1.1.3) As at 31 December 2021, details of other receivables in Portfolio 2 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	1,491,954,314.36	7,459,771.57	0.50
1 to 2 years	997,808,603.04	4,989,043.02	0.50
2 to 3 years	1,285,000.00	6,425.00	0.50
Over 3 years	723,650,697.74	3,618,253.49	0.50
Total	3,214,698,615.14	16,073,493.08	0.50

(d.2.1.1.3) As at 31 December 2021, details of other receivables in Portfolio 3 are as follows:

Aging	31 Dec. 2021		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	105,129,224.44	5,256,461.22	5.00
1 to 2 years			
2 to 3 years			
Over 3 years			
Total	105,129,224.44	5,256,461.22	5.00

(d.2.1.2) As at 31 December 2021, provision for bad debt at stage 2:

There is no such item.

(d.2.1.3) As at 31 December 2021, provision for bad debt at stage 3:

There is no such item.

The basis for the amount of bad debt provision recognized in the current period:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.10 Financial Instruments*.

(d.2.2) As at 31 December 2020, the provision for bad debts is accrued based on the incurred loss model as follows:

Items	31 Dec. 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Provision ratio (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	3,600,930,629.04	100.00	1,739.81	0.00	3,600,928,889.23
Portfolio 1: Related parties and relevant government departments	3,600,895,832.88	100.00			3,600,895,832.88
Portfolio 2: Aging analysis	34,796.16	0.00	1,739.81	5.00	33,056.35
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	3,600,930,629.04	100.00	1,739.81	0.00	3,600,928,889.23

(d.2.2.1) As at 31 December 2020, other receivables with individually significant balance and recognized provision for bad debt individually:

There is no such item.

(d.2.2.2) As at 31 December 2020, in Portfolio 1, other receivables with related parties and relevant government departments:

Entity name	Balance at 31 Dec. 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Chengxi New Rural Construction Investment Co., Ltd.	890,214,350.60	24.72	
Zhejiang Huzhou Huantaihu Group Co., Ltd.	723,461,008.81	20.09	
Huzhou Xinyuan Development and Construction Co., Ltd.	643,110,487.09	17.86	
Kangshan Sub-district Office of Huzhou Municipal People's Government	520,600,000.00	14.46	
Huzhou Xincheng Public Engineering Co., Ltd.	354,698,115.95	9.85	
Huzhou Nantaihu New District Management Committee	150,000,000.00	4.17	

Entity name	Balance at 31 Dec. 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Rongyuan Technology City Construction and Development Co., Ltd.	109,408,838.07	3.04	
Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	87,527,070.44	2.43	
Huzhou Xisaishan Development and Construction Co., Ltd.	64,140,264.18	1.78	
Huzhou Fuyuan Construction Co., Ltd.	54,150,697.74	1.50	
Huzhou Nantaihu Scientific Innovation Construction and Development Co., Ltd.	3,400,000.00	0.09	
Longxi Sub-district Office of Huzhou Development Zone	185,000.00	0.01	
Total	3,600,895,832.88	100.00	

(d.2.2.3) As at 31 December 2020, in Portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec. 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	34,796.16	1,739.81	5.00
1 to 2 years			
2 to 3 years			
Over 3 years			
Total	34,796.16	1,739.81	5.00

(d.2.2.4) As at 31 December 2020, other receivables with individually insignificant balance and recognized provision for bad debt individually:

There is no such item.

The basis for the amount of bad debt provision recognized in 2020:

The standards and instructions of the bad debt provision recognized collectively by portfolio, please refer to *Note 3.12 Impairment Provision of Receivables*.

(d.3) Provision, recovery or reversal of bad debt

Category	31 Dec. 2020	Changes in accounting policies	1 Jan. 2021	Changes during the reporting period			31 Dec. 2021
				Provision	Recovery or reversal	Elimination or write-off	
Provision for bad debt recognized by portfolio	1,739.81	8,613,721.50	8,615,461.31	12,714,492.99			21,329,954.30
Total	1,739.81	8,613,721.50	8,615,461.31	12,714,492.99			21,329,954.30

(d.4) Other receivables written-off during the reporting period

There is no such item.

(d.5) Other receivables relating to government grants

There is no such item.

(d.6) Derecognition of other receivables for transfer of financial assets

There is no such item.

(d.7) Assets or liabilities formed due to other receivables transferred but still involved

There is no such item.

13.2 Long-term Equity Investments

Items	31 Dec. 2021			31 Dec. 2020		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	19,643,466,368.50		19,643,466,368.50	19,393,466,368.50		19,393,466,368.50
Joint ventures and associates						
Total	19,643,466,368.50		19,643,466,368.50	19,393,466,368.50		19,393,466,368.50

(a) Investments in subsidiaries

Investees	31 Dec. 2020	Increase during the reporting period	Decrease during the reporting period	31 Dec. 2021	Provision for impairment during the reporting period	Provision for impairment at 31 Dec. 2021
Zhejiang Huzhou Huantaihu Group Co., Ltd.	11,170,683,505.89	210,000,000.00		11,380,683,505.89		
Huzhou Xisaishan Development and Construction Co., Ltd.	8,222,782,862.61	40,000,000.00		8,262,782,862.61		
Total	19,393,466,368.50	250,000,000.00		19,643,466,368.50		

(b) Investments in joint ventures and associates

There is no such item.

Name of the Company: Huzhou Economic Development Group Co., Ltd.

Legal Representative:

Chief Financial Officer:

Finance Manager:

Date: 28 April 2022

Auditor's Report

Huzhou Economic Development Group Co., Ltd.

RSM SZ [2021] No.310Z0316

RSM CHINA CPA LLP

CHINA·BEIJING

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Auditor's Report

容诚会计师事务所(特殊普通合伙)
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RSM SZ [2021] No.310Z0316

To the Shareholders of Huzhou Economic Development Group Co., Ltd.:

Opinion

We have audited the financial statements of Huzhou Economic Development Group Co., Ltd. (hereafter referred to as "Huzhou Economic Group Company"), which comprises the consolidated and the parent company's statement of financial position as at 31 December 2020, the consolidated and the parent company's statement of profit or loss and other comprehensive income, the consolidated and the parent company's statement of cash flows, the consolidated and the parent company's statement of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying Huzhou Economic Group Company's financial statements present fairly, in all material respects, the consolidated and the company's financial position as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and China Accounting System for Business Enterprises.

Basis for Opinion

We conducted our audit in accordance with Chinese Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Huzhou Economic Group Company in accordance with *the Code of Ethics for Chinese Certified Public Accountants*, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Huzhou Economic Group Company (hereafter referred to as "Management") is responsible for the preparation and fair presentation of the financial statements in accordance with *Accounting Standards of Business Enterprises*, and for the design, implementation and maintenance of such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing Huzhou Economic Group Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate Huzhou Economic Group Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Huzhou Economic Group Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our Objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- iv) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Huzhou Economic Group Company's ability to continue as a going concern. If we

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Huzhou Economic Group Company to cease to continue as a going concern.

- v) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Huzhou Economic Group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

(There is no text below, which is the signature and stamp page of RSM SZ [2021] No.310Z0316, Huzhou Economic Group Company's audit report.)



[Name of CPA]:



[Name of CPA]:



[Date]: 29 April 2021

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER**

容诚会计师事务所

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan Currency: CNY

Item	Note	31 Dec 2020	31 Dec 2019	Item	Note	31 Dec 2020	31 Dec 2019
Current assets:				Current liabilities:			
Cash and cash equivalents		3,915,243,804.91	3,630,083,454.44	Short-term borrowings	5.18	3,972,000,000.00	1,849,300,000.00
Financial assets at fair value through profit or loss				Financial liabilities at fair value through profit or loss			
Derivative financial assets				Derivative financial liabilities			
Notes receivable	5.2	40,000,000.00	-	Notes payable	5.19	79,450,000.00	260,000,000.00
Accounts receivable	5.3	1,037,337,367.78	569,448,027.17	Accounts payable	5.20	430,661,512.34	214,768,456.11
Prepayments	5.4	1,406,718.51	38,898.03	Advances from Customers	5.21	297,304,643.99	4,027,237.87
Other receivables	5.5	9,997,342,549.52	10,283,866,386.78	Employee benefits payable	5.22	470,865.94	225,315.20
Inventories	5.6	37,954,098,300.92	33,368,555,293.38	Taxes payable	5.23	283,843,682.76	261,511,547.49
Assets classified as held for sale				Other payables	5.24	1,637,425,513.99	1,588,712,646.18
Non-current assets maturing within one year				Liabilities classified as held for sale			
Other current assets	5.7	6,671,884.99	5,325,022.34	Non-current liabilities maturing within one year	5.25	9,444,871,008.94	10,319,843,115.01
Total current assets		53,952,100,626.63	47,857,317,082.14	Other current liabilities	5.26		300,974,441.66
Non-current assets:				Total current liabilities		16,146,027,227.96	14,799,362,759.52
Available-for-sale financial assets	5.8	496,294,910.11	167,640,000.00	Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings	5.27	11,607,496,627.48	13,030,336,918.46
Long-term receivables	5.9	697,716,289.84	1,308,117,825.84	Bonds payable	5.28	7,537,010,329.94	3,665,583,904.78
Long-term equity investments	5.10	1,440,419,708.23	381,093,850.95	Long-term payables	5.29	3,158,226,324.42	1,431,713,594.60
Investment properties	5.11	2,100,033,304.99	1,538,131,610.26	Long-term employee benefits payable			
Property, plant and equipment	5.12	674,351,321.38	80,870,357.82	Estimated liabilities			
Construction in progress	5.13	183,844,563.85	72,129,151.81	Deferred income			
Productive biological assets				Deferred tax liabilities	5.16	210,799,665.03	178,695,956.22
Oil and gas assets				Other non-current liabilities	5.30	2,548,980,589.63	800,000,000.00
Intangible assets	5.14	78,486,065.63	81,888,615.20	Total non-current liabilities		25,062,513,536.50	19,106,330,374.06
Research and development expenditure				Total liabilities		41,208,540,764.46	33,905,693,133.58
Goodwill				Owners' equity			
Long-term deferred expenses	5.15	119,896,115.22	113,397,249.30	Paid-in capital	5.31	500,000,000.00	200,000,000.00
Deferred tax assets	5.16	12,141,938.35	12,821,430.90	Other equity instruments	5.32		350,000,000.00
Other non-current assets	5.17	1,292,965,019.55		Including: Preference shares			
Total non-current assets		7,096,149,237.15	3,756,090,092.08	Perpetual bonds			
				Capital reserves	5.33	14,291,098,223.21	13,884,206,873.77
				Less: Treasury stock			
				Other comprehensive income	5.34	433,674,465.40	344,942,666.94
				Specific reserves			
				Surplus reserves	5.35	206,932,044.90	206,932,044.90
				General risk reserves			
				Retained earnings	5.36	1,989,416,040.60	2,613,298,611.89
				Total owner's equity attributable to parent company		18,421,120,774.11	17,599,380,197.50
				Non-controlling interests		1,418,588,325.21	108,333,843.14
				Total owners' equity		19,839,709,099.32	17,707,714,040.64
Total assets		61,048,249,863.78	51,613,407,174.22	Total liabilities and owners' equity		61,048,249,863.78	51,613,407,174.22

Legal Representative:

Chief Financial Officer:

Finance Manager:



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER**



Prepared by: Suzhou Economic Development Group Co., Ltd.

Item	Note	2020	2019
I. Revenue	5.37	3,091,862,632.36	2,661,219,574.81
Less: Costs of sales	5.37	2,838,253,135.56	2,367,992,308.36
Taxes and surcharges	5.38	16,671,102.87	15,672,306.91
Selling and distribution expenses		2,442,063.74	187,589.51
General and administrative expenses		133,203,195.45	71,478,787.07
Research and development expenses			
Finance costs	5.39	128,367,924.79	58,657,809.46
Including: Interest expenses		129,913,932.77	60,803,311.39
Interest income		34,738,819.98	19,927,554.82
Add: Other income	5.40	379,047,393.73	378,950,659.82
Investment income/(losses)	5.41	13,091,977.72	8,746,046.03
Including: Investment income from associates and joint ventures		11,225,857.28	5,759,903.04
Gains/(losses) from changes in fair values	5.42	64,723,155.48	17,044,443.32
Impairment loss of assets (Losses by a "-" insert column)	5.43	2,674,572.28	-8,311,459.75
Gains/(losses) from disposal of assets	5.44	-	68,650.00
II. Profit/(loss) from operations		432,462,309.16	543,729,112.92
Add: Non-operating income	5.45	1,329,501.15	403,842.82
Less: Non-operating expenses	5.46	7,605,816.41	411,958.26
III. Profit/(loss) before tax		426,185,993.90	543,720,997.48
Less: Income tax expenses	5.47	27,735,455.97	37,363,975.39
IV. Net profit/(loss) for the year		398,450,537.93	506,357,022.09
(I) Net profit/(loss) by continuity			
Net profit/(loss) from continuing operation		398,450,537.93	506,357,022.09
Net profit/(loss) from discontinued operation			
(II) Net profit/(loss) by ownership attribution			
Attributable to owners of the parent		398,867,428.71	506,373,178.95
Attributable to non-controlling interests		-416,890.78	-16,156.86
V. Other comprehensive income for the year, after tax		88,731,798.46	-5,079,058.13
(a) attributable to owners of the parent		88,731,798.46	-5,079,058.13
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss		88,731,798.46	-5,079,058.13
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains/losses on cash flow hedge			
5. Exchange differences on translating foreign operations		40,963,038.63	-5,079,058.13
6. The part where the fair value is greater than the book value when conversion of self-use real estate or inventory to investment property measured by the fair value model on the conversion date		47,768,759.83	
(b) Attributable to non-controlling interests			
VI. Total comprehensive income for the year		487,182,336.39	501,277,963.96
Attributable to owners of the parent		487,599,227.17	501,294,120.82
Attributable to non-controlling interests		-416,890.78	-16,156.86
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative:



Chief Financial Officer:



Finance Manager:



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Hezhou Economic Development Group Co., Ltd.



Items	Note	2020	2019
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		3,634,412,650.40	2,623,662,213.68
Refund of tax and levies		18,559,323.84	-
Other cash received relating to operating activities		13,455,082,375.89	2,948,989,350.16
Sub-total of cash inflows from operating activities		17,108,054,350.13	5,572,651,563.84
Cash paid for received commodities or labor		6,110,433,198.16	4,473,368,958.17
Cash paid to and for employees		40,777,390.97	24,872,391.02
Payments of all types of taxes		22,196,413.72	23,009,302.85
Other cash paid relating to operating activities		13,219,863,665.27	4,763,808,833.37
Sub-total of cash outflows from operating activities		19,393,270,668.12	9,285,059,485.41
Net cash flows from operating activities		-2,285,216,317.99	-3,712,407,921.57
II. Cash flows from investing activities			
Cash received from disposal of investments		6,567,839.55	218,455,943.40
Cash received from returns on investments		302,536.03	2,986,142.99
Net cash received from disposals of property, plant and equipment, intangible assets and other long-term assets			69,010.00
Net cash received from disposals of subsidiaries or other business units			
Other cash received relating to investing activities		29,517,341.90	
Sub-total of cash inflows from investing activities		36,387,717.48	221,511,096.39
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		725,945,379.02	94,212,190.60
Cash paid to acquire investments		1,171,708,000.00	43,857,238.60
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities		761,026,248.55	
Sub-total of cash outflows from investing activities		2,658,679,627.57	138,069,429.20
Net cash flows from investing activities		-2,622,291,910.09	83,441,667.19
III. Cash flows from financing activities			
Cash received from capital contributions		1,530,000,000.00	1,750,000.00
Including: Cash receipts from minority shareholders' investments absorbed by subsidiaries		1,230,000,000.00	1,750,000.00
Cash received from borrowings		15,944,910,000.00	13,333,551,295.00
Other cash received relating to financing activities		6,683,471,480.42	2,912,829,459.24
Sub-total of cash inflows from financing activities		24,158,381,480.42	16,248,130,754.24
Cash repayments of amounts borrowed		12,732,796,707.64	8,648,514,440.16
Cash payments for dividends, distribution of profit or interest expenses		2,545,632,556.08	2,020,045,126.83
Including: Cash payments for dividends and distribution of profit to minority shareholders			
Other cash payments relating to financing activities		3,538,875,003.70	1,899,819,500.74
Sub-total of cash outflows from financing activities		18,817,304,267.42	12,568,379,067.73
Net cash flows from financing activities		5,341,077,213.00	3,679,751,686.51
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-22,451,528.45	4,393,082.20
V. Net increase / (decrease) in cash and cash equivalents		411,117,456.47	55,178,514.33
Plus: Cash and cash equivalents at the beginning of the period		1,609,463,318.44	1,554,284,804.11
VI. Cash and cash equivalents at the end of the period		2,020,580,774.91	1,609,463,318.44

Legal Representative:



Chief Financial Officer



Finance Manager:



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

	Owners' equity attributable to the parent company										Non-controlling interest	Total owners' equity
	Paid-in capital	Preference shares	Surplus capital	Other equity instruments	Capital reserves	Loss: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal	
I. Balance at 31 December 2019	200,000,000.00			350,000,000.00	13,884,206,873.77	-	344,912,666.94	-	206,932,044.90	2,613,298,611.89	17,599,380,197.50	17,707,714,040.64
Add: Changes in accounting policy												
Correction of prior period errors												
Business combination under common control												
Others												
II. Balance at 1 January 2020	200,000,000.00	-	-	350,000,000.00	13,884,206,873.77	-	344,912,666.94	-	206,932,044.90	2,613,298,611.89	17,599,380,197.50	17,707,714,040.64
III. Changes in equity during the reporting period	300,000,000.00	-	-	-350,000,000.00	406,891,349.44	-	88,731,798.46	-	-	376,117,428.71	821,740,576.61	2,131,996,898.68
(i) Total comprehensive income							88,731,798.46			376,117,428.71	464,849,227.17	464,849,227.17
(ii) Capital contributions or withdrawals by owners	300,000,000.00			-350,000,000.00	406,891,349.44						356,891,349.44	1,276,890,867.31
1. Ordinary shares contributed by owners	300,000,000.00										300,000,000.00	1,219,999,517.87
2. Capital contributed by holders of other equity instruments												
3. Share-based payments recognised in owners' equity												
4. Others				-350,000,000.00	406,891,349.44						56,891,349.44	56,891,349.44
(iii) Profit distribution												
1. Withdrawal of surplus reserves												
3. Profit distribution to investors (or shareholders)												
4. Others												
(iv) Transfer between equity												
1. Capital reserves transfer to paid-in capital												
2. Surplus reserves transfer to paid-in capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Others												
(v) Specific reserves												
1. Withdrawal during the reporting period												
2. Usage during the reporting period												
(vi) Others												
IV. Balance at 31 December 2020	500,000,000.00	-	-	-	14,291,098,223.21	-	-433,874,465.40	-	206,932,044.90	2,989,416,040.60	18,431,220,774.11	19,839,709,099.32



Legal Representative: 沈瑜印

Chief Financial Officer: 陈宇

Finance Manager: 倪洁

容诚会计师事务所
Rongcheng CPAs
Audit Firm

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER**

Hubei Huasheng Environmental Protection Technology Co., Ltd.												
2019												
Owners' equity attributable to the parent company												
	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
	Preference shares	Reserve capital	Others									
I. Balance at 31 December 2018	200,000,000.00		350,000,000.00	12,912,927,518.24	-	-642,247.74	-	206,932,044.90	1,918,795,274.51	15,548,812,589.91	106,600,000.00	15,694,612,589.91
Add: Changes in accounting policy						350,663,972.81	-		210,880,158.43	561,544,131.24		561,544,131.24
Correction of prior period errors												-
Business combinations under common control												-
Others												-
II. Balance at 1 January 2019	200,000,000.00	-	350,000,000.00	12,912,927,518.24	-	350,021,725.07	-	206,932,044.90	2,129,675,432.94	16,149,556,721.15	106,600,000.00	16,256,156,721.15
III. Changes in equity during the reporting period												
(i) Total comprehensive income						-5,079,058.13	-	-	483,623,178.95	1,449,823,476.35	1,733,843.14	1,451,557,319.49
(ii) Capital contributions or withdrawals by owners						-5,079,058.13	-	-	506,373,178.95	501,294,120.82	-16,156.86	501,277,963.06
1. Ordinary shares contributed by owners								-	-	971,279,355.53	1,750,000.00	973,029,355.53
2. Capital contributed by holders of other equity instruments												1,750,000.00
3. Share-based payments recognised in owners' equity												-
4. Others								-	-	971,279,355.53		971,279,355.53
(iii) Profit distribution								-	-22,750,000.00	-22,750,000.00		-22,750,000.00
1. Withdrawal of surplus reserves								-	-			
3. Profit distribution to investors (or shareholders)								-	-			
4. Others								-	-	-22,750,000.00		-22,750,000.00
(iv) Transfer between equity												
1. Capital reserves transfer to paid-in capital												
2. Surplus reserves transfer to paid-in capital												
3. Surplus reserves used to cover accumulated deficits												
4. Defined benefit plan transfer to retained earnings												
5. Others								-	-			
(v) Specific reserves												
1. Withdrawal during the reporting period												
2. Usage during the reporting period												
(vi) Others												
Balance at 31 December 2019	200,000,000.00	-	350,000,000.00	13,884,206,873.77	-	344,942,666.94	-	206,932,044.90	2,613,298,611.89	17,599,380,197.50	108,333,843.14	17,707,714,040.64

Prepared by: Huohuo Economic Development Group Co., Ltd.



Legal Representative:

Chief Financial Officer

Finance Manager

沈瑜印

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**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER**

Prepared by: Huzhou Economic Development Group Co., Ltd.

Unit: Yuan, Currency: CNY

Item	Note	31 Dec 2020	31 Dec 2019	Item	Note	31 Dec 2020	31 Dec 2019
Current assets:				Current liabilities:			
Cash and cash equivalents		938,338,747.83	415,494,237.98	Short-term borrowings		785,200,000.00	
Financial assets at fair value through profit or loss		-		Financial liabilities at fair value through profit or loss		-	
Derivative financial assets		-		Derivative financial liabilities		-	
Notes receivable		-		Notes payable		-	
Accounts receivable		-		Accounts payable		-	
Prepayments		-		Advances from Customers		-	
Other receivables	13.1	3,634,610,347.56	1,188,735,697.74	Employee benefits payable		47,321.29	
Inventories			1,986,114,935.31	Taxes payable		-	
Assets classified as held for sale				Other payables		2,560,198,743.89	2,858,824,285.46
Non-current assets maturing within one year				Liabilities classified as held for sale		-	
Other current assets				Non-current liabilities maturing within one year		715,440,000.79	118,500,000.00
Total current assets		4,572,949,095.39	3,590,344,871.03	Other current liabilities			
Non-current assets:				Total current liabilities		4,060,886,065.97	3,977,324,285.46
Available-for-sale financial assets				Non-current liabilities:			
Held-to-maturity investments				Long-term borrowings		2,060,263,076.78	1,244,963,076.78
Long-term receivables		63,903,000.00	7,500,000.00	Bonds payable			
Long-term equity investments	13.2	19,393,466,368.50	16,768,689,743.28	Long-term payables		533,244,003.05	
Investment properties		-		Long-term employee benefits payable			
Property, plant and equipment		643,109.53	21,443.05	Estimated liabilities			
Construction in progress		-		Deferred income			
Construction materials		-		Deferred tax liabilities			
Disposal of fixed assets		-		Other non-current liabilities		797,570,000.00	
Productive biological assets		-		Total non-current liabilities		3,391,077,079.83	1,244,963,076.78
Oil and gas assets		-		Total liabilities		7,451,963,145.80	4,222,287,362.24
Intangible assets		-		Owners' equity:			
Research and development expenditure				Paid-in capital		500,000,000.00	200,000,000.00
Goodwill		-		Other equity instruments			
Long-term deferred expenses		26,435,294.12		Including: Preference shares			
Deferred tax assets				Perpetual bonds			
Other non-current assets				Capital reserves		16,191,689,743.28	16,011,689,743.28
Total non-current assets		19,484,447,772.15	16,776,211,386.33	Less: Treasury stock			
				Other comprehensive income			
				Specific reserves			
				Surplus reserves			
				Retained earnings		-86,256,021.54	-67,420,848.16
				Total owner's equity		16,605,433,721.74	16,144,268,895.12
Total assets		24,057,396,867.54	20,366,556,257.36	Total liabilities and owners' equity		24,057,396,867.54	20,366,556,257.36

Legal Representative:

沈瑜印

Chief Financial Officer:

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Finance Manager:

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**STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER**

Prepared by: Huzhou Economic Development Group Co., Ltd.

容诚会计师事务所
审 核 章
Unit: Yuan Currency: CNY

Item	Note	2020	2019
I. Revenue			
Less: Costs of sales			
Taxes and surcharges		14,625.00	
Selling and distribution expenses			
General and administrative expenses		17,182,062.65	5,043,578.41
Research and development expenses			
Finance costs		-449,068.00	-509,863.63
Including: Interest expense			
Interest income		465,611.18	529,960.23
Add: Other income		2,272.08	
Investment income/(losses)			
Including: Investment income from associates and joint ventures			
Gains/(losses) from changes in fair values			
Impairment loss of assets (Losses by a "-" insert column)		-1,739.81	
Gains/(losses) from disposal of assets			
II. Profit/(loss) from operations		-16,747,087.38	-4,533,714.78
Add: Non-operating income		-0.00	153,000.00
Less: Non-operating expenses		2,088,086.00	
III. Profit/(loss) before tax		-18,835,173.38	-4,380,714.78
Less: Income tax expenses			
IV. Net profit/(loss) for the year		-18,835,173.38	-4,380,714.78
Net profit/(loss) from continuing operation		-18,835,173.38	-4,380,714.78
Net profit/(loss) from discontinued operation			
V. Other comprehensive income for the year, after tax			
(i) Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of the net defined benefit liability (asset)			
2. Share of the other comprehensive income of the investee accounted for using the equity method which will not be reclassified subsequently to profit and loss			
(ii) Items that may be reclassified subsequently to profit or loss			
1. Share of the other comprehensive income of the investee accounted for using the equity method which will be reclassified subsequently to profit or loss			
2. Gains/(losses) arising from changes in fair value of available-for-sale financial assets			
3. Gains/(losses) arising from reclassification of held-to-maturity investment as available-for-sale financial assets			
4. The effective portion of the gains /losses on cash flow hedge			
5. Exchange differences on translating foreign operations			
6. Others			
VI. Total comprehensive income for the year		-18,835,173.38	-4,380,714.78
VII. Earnings per share:			
Basic earnings per share			
Diluted earnings per share			

Legal Representative:

沈瑜
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Chief Financial Officer:

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Finance Manager:

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

容诚会计师事务所
Unit: Yuan Currency: CNY
2019

Items	Note	2020	2019
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services			
Refund of tax and levies			
Other cash received relating to operating activities		2,349,862,514.79	1,134,632,214.12
Sub-total of cash inflows from operating activities		2,349,862,514.79	1,134,632,214.12
Cash paid for received commodities or labor		104,246,984.03	83,871,514.50
Cash paid to and or employees		10,319,998.88	2,614,534.35
Payments of all types of taxes		14,625.00	
Other cash paid relating to operating activities		5,099,092,212.33	826,454,014.47
Sub-total of cash outflows from operating activities		5,213,673,820.24	912,940,063.32
Net cash flows from operating activities		-2,863,811,305.45	221,692,150.80
II. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from returns on investments and other long-term assets			
Net cash received from disposals of subsidiaries or other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		-	-
Cash paid to acquire property, plant and equipment, intangible assets and other long-term assets		31,091,611.75	22,073.00
Cash paid to acquire investments		530,000,000.00	
Net cash paid to acquire subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		561,091,611.75	22,073.00
Net cash flows from investing activities		-561,091,611.75	-22,073.00
III. Cash flows from financing activities			
Cash received from capital contributions		300,000,000.00	
Cash received from borrowings		2,575,500,000.00	570,000,000.00
Other cash received relating to financing activities		1,710,215,279.00	460,000,000.00
Sub-total of cash inflows from financing activities		4,585,715,279.00	1,030,000,000.00
Cash repayments of amounts borrowed		510,500,000.00	1,200,436,923.22
Cash payments for dividends, distribution of profit or interest expenses		60,056,576.79	38,522,165.90
Other cash payments relating to financing activities		471,411,275.16	
Sub-total of cash outflows from financing activities		1,041,967,851.95	1,238,959,089.12
Net cash flows from financing activities		3,543,747,427.05	-208,959,089.12
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase/(decrease) in cash and cash equivalents		118,844,509.85	12,710,988.68
Plus: Cash and cash equivalents at the beginning of the period		15,494,237.98	2,783,249.30
VI. Cash and cash equivalents at the end of the period		134,338,747.83	15,494,237.98

Legal Representative:

沈瑜印

Chief Financial Officer:

盛军印

Finance Manager:

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

Item	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2019	200,000,000.00				16,011,689,743.28					-67,420,848.16	16,144,268,895.12
Add: Changes in accounting policy											-
Correction of prior period errors											-
Others											-
II. Balance at 1 January 2020	200,000,000.00				16,011,689,743.28				-	-67,420,848.16	16,144,268,895.12
III. Changes in equity during the reporting period	300,000,000.00				180,000,000.00				-	-18,835,173.38	461,164,826.62
(i) Total comprehensive income										-18,835,173.38	-18,835,173.38
(ii) Capital contributions or withdrawals by owners	300,000,000.00				180,000,000.00						480,000,000.00
1. Ordinary shares contributed by owners	300,000,000.00										300,000,000.00
2. Capital contributed by holders of other equity instruments											-
3. The amount of share-based payments recorded in owners' equity											-
4. Others					180,000,000.00						180,000,000.00
(iii) Profit distribution											-
1. Withdrawal of surplus reserves											-
2. Withdrawal of general risk reserves											-
3. Others											-
(iv) Transfer between equity											-
1. Capital reserves transfer to paid-in capital											-
2. Surplus reserves transfer to paid-in capital											-
3. Surplus reserves used to cover accumulated deficits											-
4. Defined benefit plan transfer to retained earnings											-
5. Others											-
(v) Specific reserves											-
1. Withdrawal during the reporting period											-
2. Usage during the reporting period											-
(vi) Others											-
IV. Balance at 31 December 2020	500,000,000.00				16,191,689,743.28				-	-86,256,021.54	16,605,433,721.74

Legal Representative:

Chief Financial Officer:

Finance Manager:

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

Prepared by: Huzhou Economic Development Group Co., Ltd.

	Paid-in capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserves	Surplus reserves	Retained earnings	Total owners' equity
		Preference shares	Perpetual capital securities	Others							
I. Balance at 31 December 2018	200,000,000.00				15,451,052,723.29					-63,040,133.38	15,588,012,589.91
Add: Changes in accounting policy					560,637,019.99						560,637,019.99
Correction of prior period error											-
Others											-
II. Balance at 1 January 2019	200,000,000.00				16,011,689,743.28					-63,040,133.38	16,148,649,609.90
III. Changes in equity during the reporting period											
(i) Total comprehensive income											
(ii) Capital contributions or withdrawals by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. The amount of share-based payments recorded in owners' equity											
4. Others											
(iii) Profit distribution											
1. Withdrawal of surplus reserves											
2. Withdrawal of general risk reserves											
3. Others											
(iv) Transfer between equity											
1. Capital reserves transfer to paid-in capital											
2. Surplus reserves transfer to paid-in capital											
3. Surplus reserves used to cover accumulated deficits											
4. Defined benefit plan transfer to retained earnings											
5. Others											
(v) Specific reserves											
1. Withdrawal during the reporting period											
2. Usage during the reporting period											
(vi) Others											
IV. Balance at 31 December 2019	200,000,000.00				16,011,689,743.28					-67,420,848.16	16,144,268,895.12



Legal Representative:

Chief Financial Officer:

Finance Manager:



Huzhou Economic Development Group Co., Ltd.**Notes to the Financial Statements**

For the year ended 31 December 2020

(All amounts are expressed in Chinese Yuan ("CNY") unless otherwise stated)

1. BASIC INFORMATION ABOUT THE COMPANY**1.1 Corporate Information**

Huzhou Economic Development Group Co., Ltd. (hereinafter referred to as "the Company") was a limited liability company wholly set up by Huzhou Xincheng Public Engineering Co., Ltd. on 24 June 2013. The registered capital of the Company was CNY300 million, and the Company was called Huzhou Juyuan City Construction Development Co., Ltd. at first. On 22 April 2016, the Company obtained unified social credit code 913305010716498516.

On 12 October 2018, the name of the Company changed from Huzhou Juyuan City Construction Development Co., Ltd. to Huzhou Economic Development Group Co., Ltd. by Huzhou Market Supervision Administration Huzhou Economic and Technological Development Sub-bureau.

On 31 October 2018, according to Huzhou State-owned Assets [2018] No.126 Document, the investor of the Company was changed to State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government by the free transfer of state-owned assets.

On 7 February 2020, State-owned Assets Supervision and Administration Commission of Huzhou Municipal People's Government increased the amount of investment, so that the registered capital of the Company increased to CNY2 billion.

As of 31 December 2020, the registered capital of the Company was CNY2 billion, and the paid-in capital was CNY500 million. The parent company and ultimate controlling owner was State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government with 100.00% shareholding.

Legal representative: Yuyu Shen.

Company Address: Room 2019, Kaitai Building, Huzhou Economic and Technological Development Zone, Huzhou, Zhejiang.

Scope of business: dispatch and management of urban construction funds, urban infrastructure, construction of supporting facilities, construction, development, operation and management of public welfare facilities, comprehensive development and operation of real estate, property management and reconstruction of central urban area; development of Huantaihu water conservancy and agricultural tourism; preliminary development of urban construction land and handling of land transfer

matters; market operation management and service, construction, development and operation of market and school housing, rental and management of stock assets and parking lot operation. (Projects needed to be approved by laws, and only after the approval of relevant departments can business activities be carried out.)

Date of the approval of financial report: the financial statements were approved by the Company on 29 April 2021.

1.2 Scope of Consolidation

(a) Incorporated subsidiaries of the Company

As of 31 December 2020, subsidiaries of the Company are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Hierarchy	Proportion of Ownership Interest (%)	
				Direct	Indirect
1	Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huantaihu Group Company	First	89.50	
1-1	Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Jinfu Investment Company	Second		100.00
1-2	Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Saiyuan Equity Investment Company	Third		87.6476
1-3	Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou Saihan Equity Company	Third		64.8396
1-4	Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Tiegongshui Logistics Zone Company	Second		90.9091
1-5	Rongyuan International Investment Co., Ltd.	Rongyuan International Company	Second		100.00
1-6	Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Ronghua Electronics Company	Third		100.00
1-7	Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Rongyuan Technology City Company	Second		100.00
1-8	Huantaihu International Co., Ltd.	Huantaihu International Company	Second		100.00
1-9	Huzhou Bonded Logistics Center Co., Ltd.	Bonded Logistics Company	Second		100.00
1-10	Huzhou Bonded Logistics Center International Trade Co., Ltd.	Bonded Logistics Center International Trade Company	Third		100.00
1-11	Huzhou Jingkai Property Management Co., Ltd.	Jingkai Property Company	Second		100.00
1-12	Jin Kai Catering Service (Huzhou) Co., Ltd.	Jin Kai Catering Company	Third		100.00

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Hierarchy	Proportion of Ownership Interest (%)	
				Direct	Indirect
1-13	Huzhou Huanhu Yijia Pension Service Co., Ltd.	Huanhu Yijia Company	Second		65.00
1-14	Huzhou Jingkai Hotel Management Co., Ltd.	Jingkai Hotel Company	Second		100.00
1-15	Huzhou Jingkai International Logistics Park Development Co., Ltd.	International Logistics Park Company	Second		100.00
1-16	Huzhou Jingkai Bonded International Trade Co., Ltd.	Jingkai Bonded Company	Third		100.00
1-17	Huzhou Ruijing Trading Co., Ltd.	Ruijing Trading Company	Second		70.00
1-18	Huzhou Jinshi Equity Investment Co., Ltd.	Jinshi Equity Investment Co., Ltd.	Second		100.00
1-19	Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Jinsheng Equity Investment Company	Third		51.0044
1-20	Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd.	Phoenix Bay Company	Second		100.00
2	Huzhou Xisaishan Development and Construction Co., Ltd.	Xisaishan Construction Company	First	97.33	
2-1	Huzhou Chengxi New Rural Construction Co., Ltd.	Chengxi New Rural Company	Second		100.00
2-2	Huzhou Jingqiao Trading Co., Ltd.	Jingqiao Trading Company	Third		51.00
2-3	Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Nantaihu Kejian Company	Second		100.00
2-4	Huzhou Ruizhong Trade Co., Ltd.	Ruizhong Trade Company	Second		100.00

For details of the subsidiaries mentioned above, please refer to *Note 7 INTEREST IN OTHER ENTITIES*.

(b) Change of the scope of consolidation

The newly incorporated subsidiaries during the reporting period are as follows:

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting Period	Reason of incorporation
1	Huzhou Ruijing Trading Co., Ltd.	Ruijing Trading Company	From Jan 2020 to Dec 2020	Set up

Sequence Number	Name of Subsidiaries	Abbreviation of Subsidiaries	Reporting Period	Reason of incorporation
2	Huzhou Jinshi Equity Investment Co., Ltd.	Jinshi Equity Investment Co., Ltd.	From Apr 2020 to Dec 2020	Set up
3	Huzhou Bonded Logistics Center International Trade Co., Ltd.	Bonded Logistics Center International Trade Company	From Feb 2020 to Dec 2020	Set up
4	Jin Kai Catering Service (Huzhou) Co., Ltd.	Jin Kai Catering Company	From Jun 2020 to Dec 2020	Set up
5	Huzhou Jingkai Bonded International Trade Co., Ltd.	Jingkai Bonded Company	From Aug 2020 to Dec 2020	Set up
6	Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Saiyuan Equity Investment Company	From Jan 2020 to Dec 2020	Transfer
7	Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou Saihan Equity Company	From Jan 2020 to Dec 2020	Transfer
8	Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Jinsheng Equity Investment Company	Dec 2020	Set up
9	Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd.	Phoenix Bay Company	From Oct 2020 to Dec 2020	Set up
10	Huzhou Ruizhong Trade Co., Ltd.	Ruizhong Trade Company	From Feb 2020 to Dec 2020	Set up
11	Huzhou Jingqiao Trading Co., Ltd.	Jingqiao Trading Company	From May 2020 to Dec 2020	Set up

The subsidiaries reduced during the reporting period are as follows:

There is no such item.

For the detail of the change of consolidation scope, please refer to *Note 6 CHANGES IN THE SCOPE OF CONSOLIDATION*.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Preparation

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises – Basic Standards* and concrete accounting standards, *Accounting Standards for Business Enterprises – Application Guidelines*, *Accounting Standards for Business Enterprises – Interpretations* and other relevant provisions (collectively known as "Accounting Standards for Business Enterprises, issued by Ministry of Finance of PRC").

2.2 Going Concern

The Company has evaluated its capacity to continually operate in the next twelve

months from the end of the reporting period, and no any matters that may result in doubt on its ability as a going concern were noted. Therefore, it is reasonable for the Company to prepare financial statements on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The following important accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Business not mentioned are executed according to the relevant accounting policies in the Accounting Standards for Business Enterprises.

3.1 Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position as at 31 December 2020, and its operating results, cash flows and other related information for the year then ended.

3.2 Accounting Period

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

3.3 Operating Cycle

The normal operating cycle of the Company is twelve months.

3.4 Functional Currency

The Company takes Chinese Yuan ("CNY") as the functional currency.

3.5 Accounting Treatment of Business Combinations under and not under Common Control

(a) Business combinations under common control

The assets and liabilities that the Company obtains in a business combination under common control shall be measured at their carrying amount of the acquired entity in the ultimate controller's consolidated financial statements at the combination date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired party based on the principal of materiality. As for the difference between the carrying amount of the net assets obtained by the acquiring entity and the carrying amount of the consideration paid by it, the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

For the accounting treatment of business combination under common control by step acquisitions, please refer to *Note 3.6 (f)*.

(b) Business combinations not under common control

The assets and liabilities that the Company obtains in a business combination not

under common control shall be measured at their fair value at the acquisition date. If the accounting policy adopted by the acquired entity is different from that adopted by the acquiring entity, the acquiring entity shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the acquired entity based on the principal of materiality. The acquiring entity shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity as goodwill. The acquiring entity shall, pursuant to the following provisions, treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired entity:

- (i) It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired entity as well as the combination costs;
- (ii) If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquired entity, the balance shall be recognized in profit or loss of the reporting period.

For the accounting treatment of business combination under the same control by step acquisitions, please refer to *Note 3.6 (f)*.

(c) Treatment of business combination related costs

The intermediary costs such as audit, legal services and valuation consulting and other related management costs that are directly attributable to the business combination shall be charged in profit or loss in the period in which they are incurred. The costs to issue equity or debt securities for the consideration of business combination shall be recorded as a part of the value of the respect equity or debt securities upon initial recognition.

3.6 Method of Preparing the Consolidated Financial Statements

(a) Scope of consolidation

The scope of consolidated financial statements shall be determined on the basis of control. It not only includes subsidiaries determined based on voting power (or similar) or other arrangement, but also structured entities under one or several contract arrangements.

Control exists when the Company has all the following: power over the investee; exposure, or rights to variable returns from the Company's involvement with the investee; and the ability to use the Company's power over the investee to affect the amount of the investor's returns. Subsidiaries are the entities that the Company has the power to govern (including enterprise, a divisible part of the investee, and structured entity controlled by the enterprise). A structured entity (sometimes called a Special Purpose Entity) is an entity designed not determining its controlling party based on the voting power (or similar).

(b) Special requirement as the parent company is an investment entity

If the parent company is an investment entity, it should measure its investments in

particular subsidiaries as financial assets at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements. However, as an exception to this requirement, if a subsidiary provides investment-related services or activities to the investment entity, it should be consolidated.

The parent company is defined as investment entity when meets following conditions:

- Obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

If the parent company becomes an investment entity, it shall cease to consolidate its subsidiaries at the date of the change in status, except for any subsidiary which provides investment-related services or activities to the investment entity shall be continued to be consolidated. The deconsolidation of subsidiaries is accounted for as though the investment entity partially disposed subsidiaries without loss of control.

When the parent company previously classified as an investment entity ceases to be an investment entity, subsidiary that was previously measured at fair value through profit or loss shall be included in the scope of consolidated financial statements at the date of the change in status. The fair value of the subsidiary at the date of change represents the transferred deemed consideration in accordance with the accounting for business combination not under common control.

(c) Method of preparing the consolidated financial statements

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries, and using other related information.

When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

- (i) Combine items of assets, liabilities, owner's equity, income, expenses and cash flows of the Company with those of the Company's subsidiaries.
- (ii) Offset the carrying amount of the Company's long-term equity investment in the subsidiaries and the Company's share of owner's equity of the subsidiaries.
- (iii) Eliminate the impact of intragroup transactions between the Company and the subsidiaries or between subsidiaries, and when intragroup transactions indicate an impairment of related assets, the losses shall be recognized in full.

(iv) Make adjustments to special transactions from the perspective of the group.

(d) Method of preparation of the consolidated financial statements when subsidiaries are acquired or disposed in the reporting period

(i) Addition of subsidiaries or business

Addition of subsidiaries or business through business combination under common control

When preparing consolidated statements of financial position, the opening balance of the consolidated balance sheet shall be adjusted. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Incomes, expenses and profits of the subsidiary incurred from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Cash flows from the beginning of the reporting period to the end of the reporting period shall be included into the consolidated statement of cash flows. Related items of comparative financial statements shall be adjusted as well, deeming that the combined entity has always existed ever since the ultimate controlling party began to control.

Addition of subsidiaries or business through business combination not under common control

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits of the subsidiary incurred from the acquisition date to the end of the reporting period shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the acquisition date to the end of the reporting period shall be included into the consolidated statement of cash flows.

(ii) Disposal of subsidiaries or business

When preparing the consolidated statements of financial position, the opening balance of the consolidated statements of financial position shall not be adjusted.

Incomes, expenses and profits incurred from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of profit or loss and other comprehensive income.

Cash flows from the beginning of the subsidiary to the disposal date shall be included into the consolidated statement of cash flows.

(e) Special consideration in consolidation elimination

- (i) Long-term equity investment held by the subsidiaries to the Company shall be recognized as treasury stock of the Company, which is offset with the owner's equity, represented as "treasury stock" under owner's equity in the statement of financial position.

Investment held by subsidiaries between each other is accounted for taking long-term equity investment held by the Company to its subsidiaries as reference. That is, the long-term equity investment is eliminated with the share of the corresponding subsidiary's equity.

- (ii) Due to not belonging to paid-in capital and capital reserve, and being different from retained earnings and undistributed profit, "Special provision" and "General risk provision" shall be recovered at the share of the parent after long-term equity investment to the subsidiaries is eliminated with the subsidiaries' equity.
- (iii) If temporary difference between the book value of the assets and liabilities in the consolidated statement of financial position and their tax basis is generated as a result of unrealized intra-group transaction profit or loss elimination, deferred tax assets or deferred tax liabilities shall be recognized, and adjusting income expense simultaneously, excluding deferred taxes related to transactions or events recognized in owner's equity or business combination.
- (iv) Unrealized intra-group transactions profit or loss generated from the Company selling assets to its subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" in full. Unrealized intra-group transactions profit or loss generated from the subsidiaries selling assets to the Company shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the related subsidiaries distribute to the Company. Unrealized intra-group transactions profit or loss generated from the assets sales between the subsidiaries shall be eliminated with "net profit attributed to the owners of the parent company" and "non-controlling interests" pursuant to the proportion that the selling subsidiaries distribute to the Company.
- (v) If loss attributed to the minority shareholders of a subsidiary in current period is more than the minority shareholders' share of this subsidiary's owner's equity at the beginning of the period, non-controlling interest is still be written down.

(f) Accounting for Special Transactions

- (i) Purchasing of non-controlling interests

Where, the Company purchases non-controlling interests of its subsidiary, in the individual financial statements of the Company, the cost of the long-term equity investment obtained in purchasing non-controlling interests is measured at the fair value of the consideration transferred. In the consolidated financial statements, difference between the cost of the long-term equity investment newly obtained in purchasing non-controlling interests and share of the subsidiary's net assets from the

purchasing date or combination date continually calculated pursuant to the newly acquired shareholding proportion shall be adjusted in capital reserve (capital premium or share premium). If capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

(ii) Gaining control over the subsidiary in steps through multiple transactions

Business combination under common control in steps through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding shareholding ratio. The difference between the initial cost of the long-term equity investment and the consideration paid is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, initial cost of the long-term equity investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the accumulated shareholding ratio. The difference between the initial cost of the long-term equity investment and the carrying amount of the long-term equity investment prior of control is gained plus book value of additional consideration transferred at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn. Simultaneously, consolidated financial statements should be prepared at consolidation date, and the Company shall adjust the consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control.

If one or more of the following situations exist in trade terms, conditions and economic effect, the multiple transactions are usually accounted for as a package deal:

- These transactions are made at the same time or under the condition of considering the influence of each other.
- These transactions as a whole can achieve a complete business result.
- The occurrence of one transaction depends on occurrence of at least other transaction.
- One transaction is not economic when considered separately, but economic when considered together with other transactions.

If the transactions cannot be classified as "a package deal", a financial asset (financial

asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration transferred. At the consolidation date, in individual financial statements of the Company, the initial cost of the investment is determined according to the share of book value of the acquiree's net assets in the ultimate controlling entity's consolidated financial statements calculated at the corresponding share of equity interest. The difference between the initial cost of the long-term equity investment and the carrying amount of the long term equity investment prior of control is gained plus book value of additional consideration paid at consolidation date is adjusted in capital reserve (capital premium or share premium). If the capital reserve is not enough to be offset, surplus reserve and undistributed profit shall be offset in turn.

The Company shall adjust its consolidated financial statements, as if the entities involved in the combination have existed in the current status since the ultimate controlling entity began to control. When preparing the consolidated financial statements, with the time limit of not earlier than when the acquiring entity and acquired entity were under the control of the ultimate controlling entity, the assets and liabilities of the combined entities are consolidated in the comparative financial statements of the combining entity's consolidated financial statements, and the net assets added in the combination are adjusted in the related items of the owner's equity of the comparative financial statements. If the retained earnings of the combined entity attributable to the combining entity prior of the combination date cannot be recovered completely due to that the capital reserve(capital premium or share premium) is not enough, the Company disclose this situation in the note to the financial statements, including the amount of retained earnings of the combined entity prior of the consolidation date, the amount attributable to the Company, and the amount of retained earnings not recovered in the consolidated statement of financial position.

If the acquiring entity holds equity investment in the acquired entity prior of the combination date and the equity investment is accounted for on equity method, related profit or loss, other comprehensive income and other equity movement which have been recognized during the period from the later of the date of the Company obtaining original equity interest and both the acquirer and the acquiree being common controlled by the same ultimate controlling entity to combination date should be offset with the retained earnings at the beginning of the period of the comparative financial statements.

Business combination not under common control in stages through multiple transactions

The Company treats the transactions as one single transaction of gaining control over the subsidiary if the transactions should be classified as "a package deal". In individual financial statements, equity investment is always recognized as long-term

equity investment in each transaction prior of the combination date, and the initial cost of the investment is determined according to the fair value of the consideration paid. Long-term equity investment is subsequently measured at cost, whereas no consolidated financial statements are prepared. At the combination date, in individual financial statements, initial cost of the long-term equity investment is determined according to the carrying amount of the original long-term equity investment plus newly added cost of the investment (fair value of the consideration paid in order to obtain additional share). In the consolidated financial statements, preliminary investment cost is eliminated with the share of the fair value of the subsidiary's identifiable net assets. The difference is recognized as goodwill or profit or loss of the reporting period.

If the transactions cannot be classified as "a package deal", a financial asset (financial asset at fair value through profit or loss or available for sale financial assets) or a long-term equity investment on equity method is recognized for each transaction prior of combination date at the fair value of the consideration paid. At the consolidation date, in the separate financial statements of the Company, the initial cost of the equity investment which is accounted for on cost method is measured at the carrying amount of the original long-term equity investment (financial assets or long-term equity investment on equity method) plus newly added cost of the investment. In the consolidated financial statements, the share of the acquired entity's equity held prior of the acquisition date shall be re-measured at its fair value at the acquisition date. Difference between the fair value of the equity share and its book value is recognized as investment income. If other comprehensive income was recognized concerning the equity interest held prior of the acquisition date, the other comprehensive income should be transferred to investment income of reporting period which the acquisition belongs to, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined. The Company shall disclose in the note the fair value at the acquisition date of the equity interest held by it prior of the acquisition date, and the amount of related gains or losses due to re-measurement at fair value.

(iii) Disposing investment in subsidiaries without losing control

For partial disposal of the long-term equity investment in the subsidiaries without control, when the Company prepares consolidated financial statements, difference between consideration received for the disposal and the corresponding subsidiary's net assets continually calculated from the acquisition date or combination date shall be adjusted in capital reserve (capital premium or share premium). If the balance of capital reserve is not enough, retained earnings shall be adjusted.

(iv) Disposing investment in subsidiaries with controlling right lost

Disposal through one transaction

For partial disposal of the long-term equity investment in the subsidiaries with

controlling right lost, when the Company prepares consolidated financial statements, the remaining equity interest shall be re-measured at its fair value at the date when the controlling right is lost. Consideration received for disposal of the equity interest, plus the fair value of the remaining equity interest, minus share of the former subsidiary's net assets continually calculated from the acquisition date or combination date, shall be recognized in investment income of the period when the controlling right is lost, and the goodwill is written off as well (if the original business combination was not under common control and goodwill exists). Other comprehensive income related to the original investment is recognized as investment income of the reporting period.

Moreover, other comprehensive income and other equity movement related to the equity investment in the original subsidiary shall be transferred to investment income of the consolidation date, excluding other comprehensive income recognized due to the movement of net assets or net liabilities under the circumstances of beneficiary plan being re-defined.

Disposal in steps

In business combination, first of all, disposal in stages should be assessed whether they should be classified as "a package deal".

If the disposal in steps should not be classified as "a package deal", transactions prior of the date when controlling right is lost should be accounted for according to related policy in "Disposing investment in subsidiaries without control".

If the disposal in steps should be classified as "a package deal", these transactions should be considered as a single transaction and accounted for according to related policy in "Disposing investment in subsidiaries with controlling right lost". Among them, for transactions prior of the date when controlling right is lost, difference between consideration received and share of corresponding subsidiary's net assets is recognized as other comprehensive income in the consolidated financial statements, which as a whole is recognized as profit or loss when the controlling right is lost.

(v) Diluting equity share of parent company in its subsidiaries due to additional capital injection by the subsidiaries' minority shareholders.

Other shareholders (minority shareholders) of the subsidiaries inject additional capital in the subsidiaries, which resulted in the dilution of equity interest of parent company in these subsidiaries. In the consolidated financial statements, difference between share of the corresponding subsidiaries' net assets calculated based on the parent's equity interest before and after the capital injection shall be adjusted in capital reserve (capital premium and share premium). If the balance of capital reserve is not enough, retained earnings should be adjusted.

3.7 Classification of Joint Arrangements and Accounting for Joint Operation

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement of the Company is classified as either a joint operation or a joint venture.

(a) Joint operation

A joint operation is a joint arrangement whereby the parties have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- (i) Its assets, including its share of any jointly held assets;
- (ii) Its liabilities, including its share of any jointly incurred liabilities;
- (iii) its revenue from the sale of its share of the output arising from the joint operation;
- (iv) its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

(b) Joint venture

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the arrangement.

The Company accounts for its investment in the joint venture by using the equity method.

3.8 Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits with banks and other financial institutions. Cash equivalents include short-term (generally within three months of maturity at acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9 Foreign Currency Transactions and Foreign Currency Financial Statements Translation**(a) Selection of foreign exchange rate when foreign currency transactions occur**

Foreign currency transactions are converted into reporting currency at spot exchange rates prevailing on the day when the transactions occur or the exchange rate similar to the spot exchange rate on the date of transaction determined in a systematic and reasonable way (hereinafter referred to as the approximate spot exchange rate).

(b) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be converted at the spot rates prevailing on the balance sheet date. Foreign exchange difference resulted from the difference of the spot rates prevailing on the balance sheet date and the spot rates prevailing on the day when the transactions occur or the sport rate prevailing on the last balance sheet date is recognized as profit or loss of the reporting period. For foreign currency non-monetary items measured at fair value, the spot exchange rate on the fair value determination date shall be used for translation, and the difference between the converted amount of the functional currency and the original functional

currency is included in the current profit and loss.

(c) Foreign currency financial statements translation

Before translating the financial statements of foreign entities, the accounting period and accounting policy shall be adjusted so as to conform to that of the Company. The adjusted foreign entities' financial statements shall be converted in accordance with the following method:

- (i) The asset and liability items in the statement of financial position shall be converted at the spot exchange rates prevailing on the balance sheet date. The owners' equity items except retained earnings shall be converted at the spot exchange rates on the occurrence date.
- (ii) The income and expense items in the statement of profit and other comprehensive income shall be converted at the spot exchange rates on the occurrence date or other approximate exchange rate.
- (iii) Foreign currency cash flows and foreign entity's statement of cash flows shall be converted at the spot exchange rate on the occurrence date or other approximate exchange rate. Effect on cash due to exchange rate fluctuation shall be presented separately in the statement of cash flows as an adjustment item.
- (iv) The differences arising from the translation of foreign currency financial statements shall be presented separately as "other comprehensive income" under the owners' equity items of the consolidated statement of financial position.

When disposing of overseas operation and losing control, the foreign currency statements translation difference related to the overseas operation listed under the owner's equity item in the statement of financial position shall be transferred to the current profit or loss of the disposal of the overseas operation in full or in proportion to the disposal of the overseas operation.

3.10 Financial Instruments

(a) Classification of financial assets

- (i) Financial assets at fair value through profit or loss

This category comprises financial assets defined as held for trading, or those designated as at fair value through profit or loss. The former mainly includes shares, bonds, funds, and derivative financial instruments investment that are not designated effective hedging instruments that are acquired principally for the purpose of sale in the near future. Such financial assets are initially recognized at fair values when acquired. Relevant transaction expenses are included in the current profit or loss. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income. On the balance sheet date, this category of financial assets is measured at fair value, and change in fair values is included in the current profit or loss. Difference between the fair value and initial

measurement amount is recognized as investment income upon disposal; meanwhile, gains or losses from changes in fair values are written-off.

(ii) Held-to-maturity investments

This category of financial assets comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables, for which there is a positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair values plus the related transaction costs when acquired. Bond interests that have matured but not been drawn included in the consideration paid is recognized as a receivable separately. The interest income calculated at amortization cost and effective interest rate during the holding period is recognized as investment income. The difference between the amount received and the book value of the investment is included in the investment profit or loss upon disposal.

(iii) Receivables

Receivables mainly include accounts receivable and other receivables. Accounts receivable arise from external sales of goods or rendering of service by the Company. They are recognized initially at the contract price or agreement price receivable from the purchasing party.

(iv) Available-for-sale financial assets

This category of financial assets comprises those financial assets that cannot be classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables. Available-for-sale financial assets are initially recognized at fair values plus the related transaction costs when acquired. Cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn included in the consideration paid are recognized as receivables separately. The interests or cash dividends to be received during the holding period are recognized as investment income.

If the available-for-sale financial assets are foreign currency monetary financial assets, the exchange gains and losses arising therefrom shall be included in the profits and losses of the current period. Interest on available-for-sale debt instrument investments calculated using the actual interest rate method is included in profit or loss for the current period. The cash dividends of available-for-sale equity instrument investments are included in the current profit or loss when the investee declares the distribution of dividends. It is measured at fair value at the end of the period and change in fair value is included in other comprehensive income at the end of the period. The difference between the amount received and the book value of the financial asset is included in the investment profit or loss upon disposal. Meanwhile, the corresponding accumulated change in fair value recognized in other comprehensive income is transferred into investment profit or loss.

(b) Classification of financial liabilities

(i) Financial liabilities at fair value through profit or loss

This category of financial liabilities comprises financial liabilities that are defined as held for trading, or those that are designated as at fair value through profit or loss. This category of financial liabilities is initially measured at fair value. Relevant transaction costs are included in the current profit or loss. On the balance sheet date, change in fair values is included in the current profit or loss.

(ii) Other financial liabilities

Other financial liabilities are those financial liabilities excluding financial liabilities at fair value through profit or loss.

(c) Reclassification of financial assets

An investment will be reclassified as available-for-sale if, as a result of a change in intention or ability, it fails to meet the requirements for classification as held-to-maturity. After the reclassification, it will be subsequently measured at fair value. If the held-to maturity investment is partially disposed, or a large part of it has been reclassified, and not included in the exceptions illustrated in provision 16 of "Enterprise and business accounting standards No.22-Recognition and measurement of financial instruments", as a result of which, the remaining of the investment fails to meet the requirements for classification as held-to-maturity, any remaining held-to-maturity investments should also be reclassified as available-for-sale, and subsequently measured at fair value. However, it is prohibited that the above available-for-sale is reclassified back to held-to-maturity within current fiscal year and the following two fiscal years.

On the date of reclassification, difference between carrying value of the investment and its fair value is recorded in other comprehensive income, which shall be transferred out and recognized as profit or loss upon incurrence of impairment or de-recognition of the investment.

Due to changes in holding intention or ability, or the fair value can no longer be reliably measured, or the held-to-maturity investment is reclassified as available-for-sale financial assets and the holding period has exceeded two complete accounting years, the financial assets are not when it is again suitable to be measured at fair value, the Company will change available-for-sale of financial assets to be measured at cost or amortized cost. Cost or amortized cost is the fair value or book value of the financial asset on the reclassification date.

If the financial asset has a fixed maturity date, the gain or loss related to the financial asset that was directly included in other comprehensive income shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss; The difference between the amortized cost of the financial asset and the amount at maturity shall be amortized by the effective interest rate method during the remaining period of the financial asset and recorded into the current profit and loss. If there is no fixed maturity date for the

financial asset, the gains or losses related to the financial asset that were directly recorded in other comprehensive income will remain in the owner's equity, and will be transferred out when the financial asset is disposed of and recorded in the current profit or loss

(d) Classification of financial liabilities and equity instruments

Except for special situation, financial liabilities and equity instrument should be classified in accordance with the following principles:

- (i) If the Company has no unconditional right to avoid delivering cash or another financial instrument to fulfill a contractual obligation, this contractual obligation meets the definition of financial liabilities. Some financial instruments do not comprise terms and conditions related to obligations of delivering cash or another financial instrument explicitly, they may include contractual obligation indirectly through other terms and conditions.
- (ii) If a financial instrument must or may be settled in the entity's own equity instruments, it should be considered that the entity's own equity instruments are alternatives of cash or another financial instrument, or to entitle the holder of the equity instruments to sharing the remaining rights over the net assets of the issuer. If the former is the case, the instrument is a liability of the issuer, otherwise, it is an equity instrument of the issuer. Under some circumstances, it is regulated in the contract that the financial instrument must or may be settled in the entity's own equity instruments, where, amount of contractual rights and obligations are calculated by multiplying the number of the equity instruments to be available or delivered by its fair value upon settlement. Such contracts shall be classified as financial liabilities, regardless that the amount of contractual rights and liabilities is fixed, or fluctuate totally or partially with variables other than market price (such as interest rate, the price of a commodity, or the price of a financial instrument) of the entity's own equity instruments.

(e) Transfer of financial assets

Transfer of financial assets include below situations:

- The contractual rights to receive cash flows from the financial asset are transferred to another entity; or
- The financial assets are totally or partially transferred to another entity, while the rights to receive cash flows from the asset or obligations to pay the received cash flows to one or several payees are retained.

(i) Derecognition of transferred financial assets

The financial assets should be derecognized if the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When judging whether control of the asset has been transferred or not, the Company

shall lay emphasis on the transferee's substantial capability to sell the financial asset. If the transferee itself can sell the financial asset as a whole to a third party that has no any relationship with it, without any restrictions on this sale through supplemental terms, it is shown that the control of the asset has been given up.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria described above for derecognition of a financial asset.

If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of the transferred financial asset;
- The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit or loss:

- The book value of derecognized part;
- The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial asset transferred is an available-for-sale financial asset).

(ii) Continue to involve in the transferred financial assets

Where neither transfer nor retention of substantially all risks and rewards of ownership of a financial asset and control of the financial asset has not been abandoned, the relevant financial asset shall be recognized in accordance with the degree of its continuous involvement in the transferred financial asset, and the relevant liability shall be recognized accordingly.

The degree of continuous involvement in the transferred financial assets refers to the level of risk that the Company faces when the value of the financial assets' changes.

(iii) Continue to confirm the transferred financial assets

If the ownership of the transferred financial asset still retains almost all the risks and rewards, the entire transferred financial asset shall continue to be recognized, and the consideration received will be recognized a financial liability.

The financial assets and the related financial liabilities recognized cannot offset each other. In the subsequent accounting period, the Company should continue to confirm the income generated by the financial assets and the expenses incurred by the

financial liabilities. Where the transferred financial assets are measured at amortized cost, the related liabilities recognized shall not be designated as financial liabilities at fair value through profit or loss.

(f) Derecognition of financial liability

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved.

If the assets to be used to settle a financial liability is transferred to another institute or establish a trust, where the present obligations still exist, either the financial liability or the assets transferred shall not be derecognized. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit or loss.

(g) Offsetting financial assets and liabilities

Financial assets and liabilities shall be presented separately in the statement of financial position and shall not be offset. However, they shall be presented on a net basis after offset if the following criteria are both satisfied.

- (i) The Company has a legal right to offset the recognized amounts, and the right is executable at present; and
- (ii) The Company has an intention to settle on a net basis or liquidate the asset and settle the liability simultaneously.

Asset transfer that does not satisfy the criteria for derecognition of this asset, the transferor shall not offset the asset and the liability.

(h) Impairment testing and impairment provision of financial assets

- (i) Objective evidence for the impairment of the financial assets
 - The issuer or debtor encounters serious financial difficulties;
 - The debtor violates the terms of contract, for example, it cannot repay the interest or the principal of the loan on schedule;
 - The creditor makes concessions to the debtor in financial difficulties from the respect of economy or law;

- The creditor is possible to bankrupt or execute other financial restructuring;
- The financial asset is no longer traded in the active market since the issuer encounters significant financial difficulties;
- It is unrecognizable whether cash flows from an asset in one group of financial assets has decreased, however, it is identifiable that the estimated future cash flows of the group of financial assets has decreased and measurable since they are initially recognized through overall assessment on them on the basis of public data;
- The debtor's technological, market, economic or legal environment encounters significant unfavorable change, as a result of which investment cost may not be recovered;
- A serious or prolonged Decline in the fair value of equity instrument; and
- Other objective evidence that indicates impairment of financial assets.

(ii) Impairment provision of the financial assets (excluding receivables)

Impairment provision of held-to-maturity investments

If there is objective evidence that the financial asset is impaired, the carrying amount of the financial asset shall be written down to the present value of its expected future cash flows (excluding future credit loss that have not occurred), the amount written down shall be recognized as impairment loss in current profit or loss.

The present value of the estimated future cash flows is determined by discounting at the original effective rate of the financial asset, considering the value of related guaranty (deducting expense incurred for obtaining or selling this guaranty). The original effective rate is the effective rate calculated when the financial asset is initially recognized. For the financial asset with variable interest rates, the current effective interest rate as stipulated in the contract may be used as the discount rate in calculating the present value of future cash flows.

The Company was carried out on the amortized cost measurement of financial assets impairment test, the amount is greater than or equal to CNY1 million of financial assets as a single large sum of financial assets, under this standard as a single amount is not significant financial assets.

The Company shall conduct impairment tests on a single financial asset with a significant amount separately. If there is objective evidence that such asset has experienced impairment, the impairment loss shall be recognized and recorded into the current profit and loss; For single amount is not significant financial assets, impairment test alone or include in combination of financial assets with similar credit risk characteristics in the impairment test.

Separately test the financial assets that have not suffered any impairment (including the financial assets with significant or insignificant amount of a single item), including conducting a further impairment test in the financial asset portfolio with

similar credit risk characteristics; Financial assets that have recognized impairment losses separately shall not be included in the impairment test of financial asset portfolios with similar credit risk characteristics.

After the Company recognizes the impairment loss of a financial asset measured at the amortized cost, if there is objective evidence that the value of the financial asset has been restored and is objectively related to the events occurred after the recognition of the loss, the previously recognized impairment loss will be reversed and recorded into the current profit and loss. However, the carrying value after the reversal does not exceed the amortized cost of the financial asset on the day of the reversal assuming no provision for impairment.

Impairment provision of available-for-sale financial assets

When recognizing impairment loss, the cumulative loss due to decreases in fair value shall be removed from equity to profit or loss. After impairment loss related to an available-for-sale debt instrument has been recognized, interest income of the instrument is calculated at the discount rate used in determining present value of the future cash flows when calculating impairment provision of the instrument.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, and included in current profit or loss. The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

(i) Method of determining the fair value of financial assets and financial liabilities

For the detail of the method of determining the fair value of financial assets and financial liabilities, please refer to *Note 3.11*.

3.11 Fair Value Measurement

Fair value refers to 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 Company determines fair value of the related assets and liabilities based on market value in the principal market, or in the absence of a principal market, in the most advantageous market price for the related asset or liability. 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.

The principal market is the market in which transactions for an asset or liability take place with the greatest volume and frequency. The most advantageous market is the market which maximizes the value that could be received from selling the asset and minimizes the value which is needed to be paid in order to transfer a liability, considering the effect of transport costs and transaction costs both.

If the active market of the financial asset or financial liability exists, the Company shall measure the fair value using the quoted price in the active market. If the active market of the financial instrument is not available, the Company shall measure the fair value using valuation techniques.

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.

- Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available and other information to support. The valuation techniques used mainly include market approach, income approach and cost approach. The Company measures fair value using methods consistent with one or more of its valuation techniques. When using various techniques to measure fair value, the Company shall consider the reasonableness of each valuation result and select the most representative the amount of fair value as the fair value.

In the application of valuation techniques, the Company will give priority to the relevant observable inputs and only when the relevant observable inputs cannot be obtained or impracticable to obtain the unobservable inputs can be used. Observable inputs can be acquired from the market data, which reflect the assumptions used by market participants in pricing the underlying assets or liabilities. Unobservable inputs cannot be acquired from the market data, but it is based on the best available information from market participants on the assumptions used in pricing the underlying asset or liability.

- Fair value hierarchy

The Company divides the input value used for fair value measurement into three levels, first using the first level input value, secondly using the second level input value, and finally using the third level input value:

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;

3.12 Impairment Provision of Accounts receivable.

(a) Receivable with individually significant balance and recognized provision for bad debts individually

The amount of accounts receivable over CNY1 million and other receivables over

CNY5 million is assessed individually significant.

Method of provision for bad debts of receivables that are individually significant: After separate impairment test, if there is objective evidence of impairment, the impairment loss of receivables that are individually significant shall be measured at the difference between the individual receivable's carrying amount and the present value of estimated future cash flows, and shall be included in current profit or loss.

Where there is a small difference between the estimated future cash flows of the short-term accounts receivable and its present value, the estimated future cash flows may not be discounted when determining the related impairment losses.

(b) Receivables with provision for bad debts recognized based on similar credit risk characteristics

Portfolio 1: According to the combination of credit risk characteristics after the combination of the smaller risk, a separate test does not indicate a significant impairment in receivables.

Portfolio 2: Remaining receivables excluding Portfolio 1.

Method of provision for bad debts of different portfolios:

Portfolio 1: Because the possibility of bad debt loss is very small, no provision is made for bad debt.

Portfolio 2: based on the actual loss rate of each segment of receivables divided by age of accounts in the previous year, the proportion of bad debt provision for this year's combination of receivables for each segment of accounts shall be determined in combination with the current situation, and the bad debt provision for this year shall be calculated accordingly.

Proportions of provision for bad debts based on age analysis in portfolios:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 to 2 years	10.00	10.00
2 to 3 years	20.00	20.00
Over 3 years	100.00	100.00

(c) Receivables that are individually insignificant but with bad debt provided on an individual basis

For receivables that are individually insignificant with objective evidence of impairment, they shall be separated from relevant portfolios and separately assessed for impairment to recognize the impairment losses. Bad debts are provided at the difference between the present value of estimated future cash flows of the receivable and its carrying value.

3.13 Inventories

(a) Classification of inventories

Inventories are classified into finished products or commodities held for sale in operating activities, work in progress in producing process, and materials held for use in producing process and service providing process, including material, low-value consumption goods, stock goods, development costs, entrusted construction projects, etc.

(b) Measurement method of cost of inventories sold or used

The cost of inventories used or sold is determined on the weighted average basis.

(c) Inventory system

The perpetual inventory system is adopted. The inventories should be counted at least once a year, and surplus and losses of inventory counting shall be included in current year profit and loss.

(d) Provision for impairment of inventory

Inventories are stated at the lower of cost and net realizable value. The excess of cost over net realizable value of the inventories is recognized as provision for impairment of inventory, and recorded in profit or loss.

Net realizable value of the inventory should be determined on the basis of reliable evidence obtained, and factors such as purpose of holding the inventory and events occur after balance sheet date shall be considered.

In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at estimated selling prices less estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

At the end of the period, provisions for inventory impairment are determined on an individual basis. For inventories with large quantity and low unit price, the provisions for inventory impairment are determined on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from each other for measurement purpose, provisions for inventory impairment shall be determined on a portfolio basis.

If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory impairment, which has been provided for. The reversed amounts are included into the current profit or loss.

(e) Amortization method of low-value consumption goods

Low-value consumption goods: One-off writing off method is adopted.

Package material: One-off writing off method is adopted.

3.14 Non-current assets (or disposal groups) as held for sale

(a) Classification of non-current assets (or disposal groups) as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if the following requirements are met simultaneously:

- (i) The asset or disposal group must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (or disposal group).
- (ii) Its sale must be highly probable, i.e., the Company must be committed to a plan to sell the asset (or disposal group) and obtain definite purchase commitment, and the sale is expected to complete within one year and those regulations that require the approval of the Company's relevant authorities or regulatory authorities before they can be sold have already been approved.

When the Company acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one-year requirement is met and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months).

The Company that is committed to dispose its equity investment in a subsidiary which will lead to its loss of control of the subsidiary shall classify the investment as held for sale in the separate financial statements of the Company, and classify all the assets and liabilities of that subsidiary as held for sale in the consolidated financial statements of the group, when the above criteria are met, regardless of whether the Company will remain part of equity investment in the subsidiary.

(b) Measurement of non-current assets (or disposal groups) held for sale

The principal of measurement of non-current assets (or disposal groups) held for sale does not apply to the following assets: investment properties that are measured in accordance with the fair value model, biological assets that are measured at fair value less costs to sell, assets arising from employee benefits, deferred tax assets, financial assets within the scope of relevant accounting standards related to financial instruments and contractual rights under insurance contracts as defined in accounting standards related to insurance contracts.

When the non-current assets (or disposal groups) are initially measured or subsequently measured at balance sheet date, if the carrying value of the asset (or disposal group) is higher than the fair value less cost to sell, it shall be written-down to its fair value, and the difference shall be recognized as impairment loss of the reporting period, and provision for asset impairment shall be recognized simultaneously. If on the subsequent balance sheet date, the net amount of the non-current assets held for sale or the fair value of the disposal group minus the

selling expenses increases, the previously written-down amount shall be restored, and the assets shall be recognized after being classified as held for sale. The impairment loss is reversed within the amount of asset impairment loss recognized after being classified as held for sale, and the reversed amount is included in the current profit or loss. The book value of goodwill that has been deducted cannot be reversed.

When the assets (or disposal groups) ceases to be classified as held for sale or the non-current assets are removed from disposal groups since the criteria for held for sale are no longer met, the assets shall be measured at the lower of:

- (i) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- (ii) its recoverable amount at the date of the subsequent decision not to sell.

(c) Presentation

An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.

3.15 Long-term Equity Investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. If the Company have significant influence on the investee, the investee is an associate of the Company.

(a) Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. In determining whether there is a joint control, it is first determined whether all parties or combinations of parties have collective control of the arrangement. If all parties or a group of parties must act in unison to determine the relevant activities of an arrangement, it is considered that all parties or a group of participants collectively control the arrangement. Secondly, it is necessary to decide whether the decision-making related to the arrangement must be unanimously approved by the participants who collectively control the arrangement. If there is a combination of two or more parties that can collectively control an arrangement, it does not constitute a common control. To determine whether there is common control, not to consider the protection of the rights.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not be able to exercise control or joint control over those

polices. When an investing enterprise can exercise significant influences over the investee, the investee shall be its associate.

When the Company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it can be presumed that the investor has significant influence over the investee, unless it can be clearly shown that this is not the case.

(b) Determination of initial investment cost

(i) Long-term equity investments generated in business combinations

- For a business combination involving enterprises under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, book value of the owners' equity of the acquiree obtained is recognized as the initial cost of the long-term equity investment on the combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserve; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings shall be adjusted.
- For a business combination involving enterprises under common control, if the Company issues equity securities as the consideration for the business combination, the share of carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party is recognized as the initial cost of the long-term equity investment on the combination date. The total par value of the shares issued is recognized as the share capital. The difference between the initial investment cost and the carrying amount of the total par value of the shares issued shall be adjusted against the capital reserve; if capital reserve is not enough to be offset, undistributed profit shall be offset in turn.
- For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. When exercising control over an investee not under common control due to additional investment or other reasons, in separate financial statements, the investor shall change to the cost method and use the carrying amount of the previously held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the acquiring entity or acquirer for the business combination, shall be recognized in profit or loss as incurred.

(ii) Long-term equity investments acquired not through the business combination, the investment cost shall be determined based on the following requirements:

- For long-term equity investments acquired by payments in cash, the initial cost is the actually paid purchase cost. The initial investment cost includes expenses directly related to obtaining long-term equity investment, taxes and other necessary expenses.
- For long-term equity investments acquired through issuance of equity securities, the initial cost is the fair value of the issued equity securities.
- For the long-term equity investments obtained through exchange of non-monetary assets, if the exchange has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out together with relevant taxes. Difference between fair value and book value of the assets traded out is recorded in profit or loss. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes are recognized as the initial cost of long-term equity investment traded in.
- For long-term equity investment acquired through debt restructuring, the initial cost is determined based on the fair value of the equity obtained and the difference between initial investment cost and carrying amount of debts shall be recorded in current profit or loss.

(c) Subsequent measurement and recognition of profit or loss

Long-term equity investment to an entity over which the Company has ability of control shall be accounted for at cost method. Long-term equity investment to a joint venture or an associate shall be accounted for at equity method.

(i) Cost method

For Long-term equity investment at cost method, the cost of the long-term equity investment shall be adjusted when additional amount is invested or a part of it is withdrawn. The Company recognizes its share of cash dividends or profits which have been declared to distribute by the investee as current investment income.

(ii) Equity method

Generally, for long term equity investment measured at equity method, accounting practice are as following:

If the initial cost of the investment is in excess of the share of the fair value of the net identifiable assets in the investee at the date of investment, the difference shall not be adjusted to the initial cost of long-term equity investment; if the initial cost of the investment is in short of the share of the fair value of the net identifiable assets in the investee at the date investment, the difference shall be included in the current profit or loss and the initial cost of the long-term equity investment shall be adjusted accordingly.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment profit or losses and

other comprehensive income respectively and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the share of any profit or cash dividends Declared to distribute by the investee. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the investment date. If the accounting policy and accounting period adopted by the investee is not in consistency with the Company, the financial statements of the investee shall be adjusted according to the Company's accounting policies and accounting period, based on which, investment profit or loss and other comprehensive income, etc., shall be adjusted. The unrealized profits or losses resulting from intra-group transactions between the Company and its associate or joint venture are eliminated in proportion to the Company's equity interest in the investee, based on which investment profit or losses shall be recognized. Any losses resulting from intra-group transactions between the investor and the investee, which are attributable to asset impairment, shall be recognized in full.

If, for reasons such as additional investment, it can exert significant influence on the investee or implement joint control but does not constitute control, the initial investment cost calculated according to the equity investment originally held plus the sum of the additional investment cost shall be taken as the original investment cost calculated according to the equity method. If the equity investment previously held is classified as a financial asset available for sale, the difference between its fair value and book value, as well as the changes in the accumulated fair value originally included in other comprehensive income, shall be transferred to the current profit and loss calculated according to the equity method.

If the joint control or significant influence on the invested entity is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall be measured at the fair value, and the difference between the fair value and book value on the day of the loss of joint control or significant influence shall be recorded into the current profit or loss. Other comprehensive income of the original equity investment recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

(d) Equity investment classified as held for sale

Accounting of equity method ceases when the equity investment in an associates or joint venture which is classified in whole or in part as holding assets for sale, the relevant accounting treatment, please refer to *Note 3.14 ASSETS HELD FOR SALE*.

For residual equity investments that is not classified as holding for sale, the equity

method shall continue to be used for accounting treatment prior to the sale of the portion of equity investments that is classified as holding for sale.

If the equity investment in an associated enterprise or joint venture that has been classified as holding for sale no longer qualifies the conditions for the classification of assets for sale, the equity method shall be applied for retroactive adjustment from the date when the investment is classified as holding assets for sale. The equity investments are classified as financial statements held for sale and adjusted accordingly.

(e) Impairment testing and provision for impairment loss

For investment in subsidiaries, associates or joint ventures, provision for impairment loss please refer to Note 3.21.

3.16 Investment Properties

(a) Classification of investment properties

Investment properties are properties to earn rentals or for capital appreciation or both, including:

- (i) Land use right leased out.
- (ii) Land held for transfer upon appreciation.
- (iii) Buildings leased out.

(b) The measurement model of investment property

The Company adopts the fair value model for subsequent measurement of investment properties.

The company's investment property is located in active real estate market, and the Company can obtain the same or similar market price from the real estate market and other related information, so that they can make a reasonable estimate of the fair value of the investment property, so the Company using fair value model for subsequent measurement for the investment property, changes in fair value are recorded into current profits and losses.

When determining the fair value of an investment property, reference shall be made to the current market price of the same or similar property in the active market; If it is impossible to obtain the current market price of the same or similar property, it shall make a reasonable estimate of the fair value of the investment property by referring to the recent transaction price of the same or similar real estate in the active market and taking into account such factors as the transaction situation, transaction date and location; Or determine its fair value based on the expected future rental income and the present value of the relevant cash flows.

3.17 Property, plant and equipment

Property, plant and equipment refer to the tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purpose with expected useful lives exceeding one year.

(a) Recognition criteria of property, plant and equipment

Property, plant and equipment will only be recognized at the actual cost paid when obtaining when all the following criteria are satisfied:

- (i) it is probable that the future economic benefits relating to the property, plant and equipment will flow into the Company;
- (ii) the costs of the property, plant and equipment can be measured reliably.

Subsequent expenditure for property, plant and equipment shall be recorded in cost of property, plant and equipment, if above criteria are satisfied, whereas, recorded in current profit or loss if the above criteria cannot be satisfied.

(b) Depreciation methods of property, plant and equipment

From the next month when the property, plant and equipment reaches the expected useable state, the Company shall calculate the depreciation according to the method of straight-line depreciation, and determine the depreciation life and annual depreciation rate according to the categories of property, plant and equipment, estimated economic service life and estimated net salvage value rate as follows:

Categories of property, plant and equipment	Categories of property, plant and equipment	Estimated useful life (years)	Residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	Straight-line depreciation	20 to 35	0.00, 5.00	5.00 to 2.71
Machinery equipment	Straight-line depreciation	5 to 10	0.00, 5.00	20.00 to 9.50
Office and electronic equipment	Straight-line depreciation	3 to 5	0.00, 5.00	33.33 to 19.00
Vehicles	Straight-line depreciation	4 to 10	0.00, 5.00	25.00 to 9.50

For the property, plant and equipment with impairment provided, the impairment provision should be excluded from the cost before calculating depreciation.

At the end of reporting period, the Company shall review the useful life, estimated net residual value and depreciation method of the property, plant and equipment. Estimated useful life of the property, plant and equipment shall be adjusted if it is changed.

(c) Criteria, valuation and depreciation methods of property, plant and equipment obtained through a finance lease.

If the entire risk and rewards related to the leased assets have been transferred, the lease shall be a finance lease. The cost of the property, plant and equipment obtained through a finance lease is determined at the lower of the present value of the fair value of the leased assets and the minimum lease payment on the day of the lease. The property, plant and equipment obtained by a finance lease are depreciated in the method which is in consistency with the property, plant and equipment owned by the Company itself. For property, plant and equipment obtained through a finance lease,

if it is reasonably certain that the ownership of the leased assets will be transferred to the lessee by the end of the lease term, they shall be depreciated over their remaining useful lives; otherwise, the leased assets shall be depreciated over the shorter of the lease terms or their remaining useful lives.

3.18 Construction in Progress

(a) Classification of construction in progress

Construction in progress is measured on an individual project basis.

(b) Criteria and timing of transfer from construction in progress to property, plant and equipment

The initial book values of the property, plant and equipment are stated at total expenditures incurred before they are ready for their intended use, including construction expenses, original value of equipment, other necessary expenditures incurred to bring construction in progress to an intended usable condition, and specific borrowings and general borrowings incurred for the purpose of borrowing money for the project before the asset reaches its intended usable condition. The Company will transfer construction in progress to property, plant and equipment when the project's installation or construction is completed and ready for use. For construction in progress that has been ready for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant property, plant and equipment, and depreciation should be provided according to relevant policies of the Company when the property, plant and equipment are ready for intended use. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

3.19 Borrowing Costs

(a) Recognition criteria for capitalization of borrowing costs and capitalization period

The borrowing costs incurred by the Company that can be directly attributed to the acquisition, construction or production of assets eligible for capitalization shall be capitalized into the cost of related assets when the following conditions are met simultaneously:

- (i) expenditures are being incurred, which comprise disbursements incurred in the form of payments of cash, transfer of non-monetary assets or assumption of interest-bearing debts;
- (ii) borrowing costs are being incurred, and;
- (iii) acquisition, construction or production activities that are necessary to prepare the assets for their intended use or sale have commenced.

Other borrowing interest, discount or premium and exchange difference shall be

included in the profits and losses incurred in the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The expenditure incurred subsequently shall be recognized as expenses.

(b) Measurement of capitalized amounts of borrowing costs

Where funds are borrowed specifically for purchase, construction or manufacturing of assets eligible for capitalization, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Where funds allocated for purchase, construction or manufacturing of assets eligible for capitalization are part of a general borrowings, the eligible amounts are determined by applying a capitalization rate to the weighted average excess of accumulated capital expenditures over those on specific borrowings. The capitalization rate will be the weighted average of the borrowing costs applicable to the general borrowings.

3.20 Intangible Assets

(a) Measurement method of intangible assets

Intangible assets are stated at actual cost at acquisition.

(b) The useful life and amortization of intangible assets

- (i) The estimated useful lives of the intangible assets with limited useful lives are as follows:

Category	Useful life (years)	Basis
Land use right	50	Legal life

For intangible assets with finite useful life, the estimated useful life and amortization method are reviewed annually at the end of each reporting period and adjusted when necessary. No change incurs in current year in the estimated useful life and amortization method upon review.

- (ii) Assets of which economic benefits are unforeseeable are regarded as intangible assets with indefinite useful lives. The Company reassesses the useful lives of those assets at every year end. If the useful lives of those assets are still indefinite, impairment test should be performed on those assets at the balance sheet date.

(iii) Amortization of the intangible assets

For intangible assets with finite useful lives, their useful lives should be determined upon their acquisition. They are amortized on a straight-line basis over the period during which they can bring economic benefits to the Company. The amortization

amount is credited to profit or loss for the current period according to the beneficial items. The amount to be amortized is cost deducting residual value. For intangible assets which has impaired, the accumulated impairment provision shall be deducted as well, with a residual value of nil. For intangible assets which are not expected to bring economic benefits to the Company, they are deemed as intangible assets with uncertain useful lives and are not amortized.

Intangible assets with indefinite useful lives shall not be amortized. The Company reassesses the useful lives of those assets at every year end. If there is evidence to indicate that the useful lives of those assets become finite, the useful lives shall be estimated, and the intangible assets shall be amortized systematically and reasonably within the estimated useful lives.

(c) Criteria of classifying expenditures on internal research and development projects into research phase and development phase

- (i) The Company shall take the information and related preparatory activities for further development activities as the research stage, and the expenditure of the intangible assets research stage shall be recorded into the current profit and loss when incurred.
- (ii) The development activities that are carried out after the Company has completed the research phase shall be considered as the development phase.

(d) Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (i) there is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- (ii) there is intention to complete and use or sell the assets;
- (iii) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (iv) adequate technical, financial, and other resources are available to complete the assets, and the Company has the ability to use or sell the assets; and
- (v) the costs of the assets can be measured reliably.

3.21 Impairment of Long-Term Assets

Impairment loss of long-term equity investment in subsidiaries, associates and joint ventures, property, plant and equipment and constructions in progress subsequently measured at cost, productive biological assets, intangible assets, goodwill, the rights and interests of proved mining areas of petroleum and natural gas and wells and other relevant facilities measured at cost (excluding inventories, investment properties

measured at fair value, deferred tax assets, financial assets), shall be determined according to following method:

On the balance sheet date, the Company makes a judgment on each asset. If there is an evidence of impairment and the estimated recoverable amount is lower than its book value, impairment test assets should be performed. The impairment test shall be performed at least annually on the goodwill acquired in a business combination, intangible assets with indefinite useful lives or intangible assets that have not yet reached usable state of whether there is any indication of impairment.

The recoverable amounts of the long-term assets are the higher of their fair values less costs to dispose and the present values of the estimated future cash flows of the long-term assets. The Company estimate the recoverable amounts on an individual basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the groups of assets that the individual asset belongs to. Identification of a group of asset is based on whether the cash inflows from it are largely independent of the cash inflows from other assets or groups of assets.

If, and only if, the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and the provision for impairment loss shall be recognized accordingly.

As for the impairment test of goodwill, the book value of the goodwill formed by business combination shall be allocated to the relevant asset group in a reasonable way from the date of purchase; Difficult to spread to the relevant asset groups of goodwill, shoule divide it to related to the combination of group assets. The relevant asset groups or combination of asset groups, it is able to benefit from the enterprise merger synergies of the asset group or combination of group assets, and not greater than the portion of the report determined by the Company.

When test for impairment, if there is an indication that relevant group of assets or combination of asset groups may be impaired, impairment testing for group of assets or combination of asset groups excluding goodwill shall be conducted first, and calculate the recoverable amount and recognize the impairment loss. Then the group of assets or combination of asset groups including goodwill shall be tested for impairment, by comparing the carrying amount with its recoverable amount. If the recoverable amount is less than the carrying amount, the Company shall recognize the impairment loss.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

3.22 Long-term Deferred Expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

The Company's long-term deferred expenses are evenly amortized over the beneficial period.

3.23 Employee Benefits

Employee benefits refer to all forms of consideration or compensation given by an enterprise in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to an employee's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to liquidity, employee benefits are presented in the statement of financial position as "Employee benefits payable" and "Long-term employee benefits payable".

(a) Short-term employee benefits

(i) Monetary benefits (Wages, bonuses, allowances, subsidies)

The Company recognizes, in the accounting period in which an employee provides service, actually incurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(ii) Welfare

Welfare incurred are charged to the profits and losses of the current period or the related asset costs, according to the actual amount actually incurred. Employee benefits which are non-monetary benefits are measured at fair value.

(iii) Social insurance contributions such as medical insurance premium, work injury insurance premium, maternity premium, etc., housing funds, and labor union expenditure and employee education funds.

Payments made by the Company of social insurance contributions for employees, such as premiums or contributions on medical insurance, pensions, work injury insurance and maternity insurance, payments of housing funds, and labor union expenditure and employee education funds provided in accordance with relevant requirements, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

(iv) Short-term paid absences

Paid absences are classified into accumulating paid absences and non-accumulating paid absences. The Company shall recognize the related employee benefits arising from accumulating paid absences when the employees render service that increases their entitlement to future paid absences. The additional payable amounts shall be measured at the expected additional payments as a result of the unused entitlement that has accumulated.

(v) Short-term profit-sharing schemes

The Company shall recognize the related employee benefits payable under a

profit-sharing plan when all of the following conditions are satisfied:

- (v.1) The Company has a present legal or constructive obligation to make such payments as a result of past events; and
- (v.2) A reliable estimate of the amounts of employee benefits obligation arising from the profit-sharing plan can be made.

(b) Post-employment benefits

(i) Defined contribution plans

The Company shall classify post-employment benefits plans as defined contribution plans.

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the reporting period or the cost of a relevant asset.

Post-employment benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values, the amount recognized should be discounted, to reflect the time value of money (Determined based on the market rate of return on the government bonds or high-quality corporate bonds in an active market that match the maturity schedule and currency of the defined benefit plan on the balance sheet date).

(ii) Defined benefit plans

Determining the present value of defined benefit plan obligations and current service costs

Based on the expected unit benefit method, the unbiased and mutually consistent actuarial assumptions are used to estimate the relevant demographic variables and financial variables, etc., to measure the obligations arising from the defined benefit plans and to determine the vesting period of the relevant obligations. The Company will set a benefit plan based on the corresponding discount rate (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date) of the obligation to be discounted to determine the present value of the defined benefit plan obligations and current service costs.

Determine the amount of the net defined benefit liability (asset)

If there is any asset in the defined benefit plan, the Company will recognize the deficit or surplus as a net debt or net asset of the defined benefit plan, which caused from the current value of the defined benefit plan obligations less of the fair value of the defined benefit plan assets.

If there is a surplus in the defined benefit plan, the Company measures the net profit of the defined benefit plan based on the lower of the surplus of the defined benefit plan and the upper limit of the asset.

Determine amounts to be recognized in profit or loss

Service costs include current service costs, past service costs and gains or losses on settlement of a defined benefit plan. Except for the current service costs that are required or permitted to be included in the cost of an asset by other accounting standards, other service costs are included in the profit or loss for the current period.

Net interest on the net defined benefit liability (asset), including the interest income of the scheme assets, the interest expenses of the defined benefit plan obligations and the interest rates affected by the asset cap, shall be included in the profits and losses of the current period.

Determine amounts to be recognized in other comprehensive income

Changes arising from the remeasurement of net liabilities or net assets of defined benefit plans, including:

- (i) Actuarial gains or losses: the increase or decrease in the present value of the previously defined benefit plan obligations as a result of changes to actuarial assumptions and experience adjustments.
- (ii) Return on plan assets: excluding amounts included in net interest on the net defined benefit liability (asset).
- (iii) Any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

The above changes in the net liabilities or net assets of the re-measured defined benefit plan are directly charged to other comprehensive income and are not permitted to be reversed to profit or loss in subsequent accounting periods, but the Company can transfer these changes in other comprehensive income within the scope of equity.

(c) Termination benefits

The Company providing termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss of the reporting period, at the earlier of the following dates:

- (i) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal.
- (ii) when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Termination benefits falling due for more than 12 months after the end of the reporting period are discounted to their present values (based on the market rate of return of government bonds or high-quality corporate bonds in active markets that match the maturity and currency of the defined benefit plan at the balance sheet date).

(d) Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined contribution plan, those benefits shall be accounted for as a liability at their discounted value, with a corresponding

charge to the profit or loss of the reporting period or the cost of a relevant asset.

When other long-term employee benefits provided by the Company to the employees satisfies the conditions for classifying as a defined benefit plan, at the year end, the cost of employee benefits arising from other long-term employee benefits as the following components:

- (i) Service costs
- (ii) Net interest on the other long-term employee benefits liability (asset)
- (iii) Remeasurement of changes in net liabilities or net assets of other long-term employee benefits.

3.24 Estimated Liabilities

(a) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (i) that obligation is a current obligation of the Company;
- (ii) it is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- (iii) the amount of the obligation can be measured reliably.

(b) Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured at the best estimate of expenses required for the performance of relevant present obligations. The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. The carrying amount of the estimated liabilities shall be reviewed at the end of every reporting period. If conclusive evidences indicate that the carrying amount fails to be the best estimate of the estimated liabilities, the carrying amount should be adjusted based on the updated best estimate.

3.25 Other Financial Instrument Such as Preference Share and Perpetual Capital Securities

(a) Classification criteria of other financial instruments such as preference share and perpetual capital securities

Other financial instruments such as preference share and perpetual capital securities issued by the Company shall be classified into financial liabilities or equity instruments based on the judgment of specific contents of the relevant contracts or agreements in accordance with the principle of substance over form. If other financial instruments such as preference share and perpetual capital securities issued by the Company, of which do not include the delivery of cash or other financial assets to other parties or the contractual obligations of exchanging financial assets or financial liabilities with other parties under other potential adverse conditions, they shall be classified as equity instruments.

(b) Accounting for other financial instruments such as preference share and perpetual capital securities

The Company shall determine the accounting treatment of interest expense or dividend distribution of the financial instruments based on their category. For financial instruments classified as equity instruments, no matter whether the name contains the word of "debt", the interest expense or dividend distribution shall be treated as the profit distribution of the Company (the issuing company), with the repurchase or cancellation shall be treated as the changes in equity; For financial instruments classified as financial liabilities, no matter whether the name contains the word of "share", in principle, the interest expense or dividend distribution shall be treated as the borrowing cost, with any gain or loss on the repurchase or cancellation shall be recognized in current profit or loss.

3.26 Revenue**(a) Revenue from sale of goods**

Revenue from sales of goods shall be recognized if the following criteria are satisfied:

- (i) significant risks and rewards related to ownership of the goods have been transferred to the buyer;
- (ii) the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold;
- (iii) relevant amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow into the Company; and
- (v) relevant amount of cost incurred or to be incurred can be measured reliably.

(b) Revenue from rendering of services

When the outcome of rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method. Percentage of completion is determined by using the proportion of services performed to date to the total services that should be performed, or the proportion of cost incurred for rendering of the services to date to the total estimated cost.

The Company shall determine the total income from rendering of services in accordance with the price of the contract or agreement received or receivable, except the price of the contract or agreement received or receivable is unfair. On the balance sheet date, the total amount of labor services provided is multiplied by the progress of completion and deducted the accumulated amount of labor service income confirmed in the previous accounting period to confirm the income from providing labor service. Meanwhile, the carrying amount of labor costs incurred for the current period is calculated by multiplying the estimated total cost of provision of services by the completion progress deducting the accumulated recognized service costs in previous

accounting periods.

The outcome of rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Company; the percentage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably.

If the outcome of rendering of services cannot be estimated reliably at the balance sheet date, the revenue is recognized to the extent of costs incurred that are expected to be recoverable.

(c) Revenue from alienating the right to use assets

Revenue from alienating of right to use assets consists of interest revenue and royalty revenue.

The Company shall recognize the amount of revenue from the alienating of right to use assets based on the following circumstances, respectively:

- (i) interest revenue should be calculated in accordance with the period for which the enterprise's cash is used by others and the effective interest rate; or
- (ii) the amount of royalty revenue should be calculated in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(d) Construction contracts

Under the circumstances that result of the construction contracts can be estimated reliably, contract revenue and contract cost shall be recognized by using percentage of completion method, which is determined according to the completion stages of the construction contracts. The completion stages of the contracts shall be calculated at the portion of the contract costs incurred to the total estimated contract costs.

Under the circumstances that the result of the construction contracts cannot be estimated reliably, while the estimated contract costs can be recovered, the revenue shall be recognized to the extent of costs incurred that are expected to be recoverable, contract costs shall be recognized as expense upon incurrence. If the estimated contract costs cannot be recovered, they shall be charged in expenses upon incurrence, without any revenue recognized.

If the estimated contract costs exceed estimated contract revenue, the estimated loss shall be recognized as expenses in current period.

(e) The Company's revenue specific confirmation method

The main revenues of the Company are revenue from land consolidation and development, revenue from entrusted construction projects, asset rental revenue, revenue from goods trade, etc.

(e.1) Revenue from land consolidation and development

Lands of the Company shall be transferred to Land Reserve Centre for listing, and final return of land development revenue has been determined. It is probably that land

transfer refund received and relevant economic benefits flow into the Company. Relevant land development cost incurred or to be incurred can be measured reliably.

(e.2) Revenue from entrusted construction projects

The Company undertakes the construction of infrastructure projects in Huzhou Economic Development Zone. After the completion of the projects, the Company shall make income settlement with Huzhou Economic Development Zone Management Committee and use project cost and a proportion of project cost to determine the fixed rate of return.

(e.3) Asset rental revenue

According to lease contract, agreement or other settlement notice accepted by lessee, revenue shall be recognized in accordance with the current lease term.

(e.4) Revenue from real estate sales

The development product has been finished, checked and accepted, and sales contract has been signed and the obligations stipulated in the contract shall be fulfilled, i.e., significant risks and rewards related to ownership of development product have been transferred to the buyer. Relevant revenue has been received and receipt has been obtained. Relevant amount of cost incurred or to be incurred can be measured reliably, and the revenue should be recognized under the circumstances mentioned above.

(e.5) Revenue from goods trade

The Company has transferred the principal risks and rewards of ownership of the Goods to the Purchaser; The Company has neither retained the right of continued management associated with the ownership, nor has it exercised effective control over the sold goods; The amount of income can be measured reliably; Related economic benefits are likely to flow to the enterprise; When the related cost has occurred or will occur can be measured reliably, the realization of material trade revenue is confirmed.

3.27 Government Grants

(a) Recognition of government grants

A government grant shall not be recognized until there is reasonable assurance that:

- (i) the Company will comply with the conditions attaching to them; and
- (ii) the grants will be received.

(b) Measurement of government grants

Monetary grants from the government shall be measured at amount received or receivable, and non-monetary grants from the government shall be measured at their fair value or at their nominal value when reliable fair value is not available.

(c) Accounting for government grants

- (i) Government grants related to assets

Government grants pertinent to assets mean the government grants that are obtained by the Company used for purchase or construction or forming the long-term assets by

other ways.

Government grants pertinent to assets shall be recognized as deferred income and should be recognized in profit or loss on a systematic basis over the useful lives of the relevant assets. Grants measured at their nominal value shall be directly recognized in profit or loss of the period when the grants are received. When the relevant assets are sold, transferred, written off or damaged before the assets are terminated, the remaining deferred income shall be transferred into profit or loss of the period of disposing relevant assets.

(ii) Government grants related to income

Government grants other than related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following principles:

- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be recognized in profit or loss (or write down related expenses) in the period of recognizing relevant expenses;
- if the government grants related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government grants are directly recognized in profit or loss (or write down related expenses) of the current period.
- For government grants comprised of part related to assets as well as part related to income, each part is accounted for separately; if it is difficult to identify different part, the government grants are accounted for as government grants related to income as a whole.
- Government grants related to daily operation are recognized in other income in accordance with their nature, and government grants irrelevant to daily operation activities are recognized in non-operating income (or write down related expenses).

(iii) Discount interest on preferential policy loans

When the finance will disburse the discounted interest funds to the loan bank, and the loan bank will provide the Company with a loan at a preferential policy rate, the actual amount of borrowings received recognized as the book value of the loan, and calculates the relevant borrowing costs based on the principal of the borrowings and the preferential policy interest rate.

Fiscal interest discount funds disbursed directly to the Company, and the Company offsets the relevant borrowing costs with the corresponding discount interest.

(iv) Repayment of the government grants

If the confirmed government subsidy needs to be returned, the book value of the relevant assets shall be adjusted if the book value of the assets is deducted during the initial recognition; If there is a balance of relevant deferred income, the book balance

of relevant deferred income shall be deducted and the excess part shall be recorded into the current profit and loss; In other cases, it shall be directly recorded into the current profit and loss.

3.28 Deferred Tax Assets and Deferred Tax Liabilities

Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The Company recognize the effect of taxable temporary differences and deductible temporary differences on income tax as deferred tax liabilities or deferred tax assets using liability method. Deferred tax assets and deferred tax liabilities shall not be discounted.

(a) Recognition of deferred tax assets

Deferred tax assets should be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized at the tax rates that are expected to apply to the period when the asset is realized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

The Company recognize a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that:

- (i) the temporary difference will reverse in the foreseeable future; and
- (ii) taxable profit will be available against which the deductible temporary difference can be utilized.

At the end of each reporting period, if there is sufficient evidence that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, the Company recognizes a previously unrecognized deferred tax asset.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(b) Recognition of deferred tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences at the tax rate that are expected to apply to the period when the liability is settled, except to the extent that the deferred tax liability arises from:

- (i) the initial recognition of goodwill; or

(ii) the initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

An entity shall recognize a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

- (i) The Company is able to control the timing of the reversal of the temporary difference; and
- (ii) it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Recognition of deferred tax liabilities or assets involved in special transactions or events

(i) Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference arising from a business combination not under common control, a deferred tax liability or a deferred tax asset shall be recognized, and simultaneously, goodwill recognized in the business combination shall be adjusted.

(ii) Items directly recognized in equity

Current tax and deferred tax related to items that are recognized directly in equity shall be recognized in equity. Such items include:

- other comprehensive income generated from fair value fluctuation of available for sale investments;
- an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error;
- amounts arising on initial recognition of the equity component of a compound financial instrument

(iii) Unused tax losses and unused tax credits

Unused tax losses and unused tax credits generated from daily operation of the Company itself

The criteria for recognizing deferred tax assets arising from the carryforward of unused tax losses and tax credits are the same as the criteria for recognizing deferred tax assets arising from deductible temporary differences. The Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Income taxes in current profit or loss shall be deducted as well.

Unused tax losses and unused tax credits arising from a business combination

The potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets might not satisfy the criteria for separate recognition when a business combination is initially accounted for but might be realized subsequently. An entity shall recognize acquired deferred tax benefits that it realizes after the business combination as follows:

- Acquired deferred tax benefits recognized within 12 months after acquisition date that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in profit or loss.
- All other acquired deferred tax benefits realized shall be recognized in profit or loss.

(iv) Temporary difference generated in consolidation elimination

When preparing consolidated financial statements, if temporary difference between carrying value of the assets and liabilities in the consolidated financial statements and their taxable bases is generated from elimination of intra-group unrealized profit or loss, deferred tax assets or deferred tax liabilities shall be recognized in the consolidated financial statements, and income taxes expense in current profit or loss shall be adjusted as well (except for deferred tax related to transactions or events recognized directly in equity and business combination).

(v) Equity-settled share-based payment

If tax authority permits tax deduction that relates to remuneration paid in shares, share options or other equity instruments of the Company, during the period in which a remuneration expense is recognized according to the accounting standards, the Company estimate the tax base in accordance with available information at the end of the accounting period and the temporary difference arising from it. Deferred tax shall be recognized when criteria of recognition are satisfied. If the amount of estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the excess of the associated current or deferred tax should be recognized directly in equity.

3.29 Operating Leases and Finance Leases

The Company classifies the lease that substantially transfers all the risks and rewards incidental to ownership of an underlying asset as a finance lease. Other lease shall be classified as an operating lease.

(a) Accounting for operating leases

- (i) When the Company as a lessee, the lease payments should be recognized into profit or loss of the reporting period over the lease terms on a straight-line basis or the amount of usage. If the lessor provides the rent-free period, the Company shall allocate total lease payment over the entire lease terms including the

rent-free period using straight-line basis or other reasonable method. Lease expense and the corresponding liabilities shall be recognized during the rent-free period. If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized into current profit or loss. Contingent rental, if included in the lease contract, shall be recognized into profit or loss upon occurrence.

- (ii) When the Company as a lessor, lease income should be recognized over the lease terms on a straight-line basis. If the lessor provides the rent-free period, the Company shall allocate total lease income over the entire lease terms including the rent-free period using straight-line basis or other reasonable method. Lease income shall be recognized during the rent-free period. If expenses relating to leases which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balances shall be amortized over the lease terms by the Company.

Initial direct costs relating to lease transactions incurred by the Company shall be recognized into current profit or loss; if the amounts are material, they shall be capitalized and amortized over the lease terms on the same basis as the recognition of lease income. Contingent rental, if included in the lease contract, shall be recognized into profit or loss upon occurrence.

(b) Accounting for finance leases

- (i) When the Company as a lessee, at commencement of the lease, assets obtained through finance leases should be recorded at the lower of their fair values and the present values of the minimum lease payments. The Company shall recognize long-term payables at amounts equal to the minimum lease payments, and the differences shall be recognized as unrecognized finance charges, which shall be amortized over the lease terms as finance expenses by using effective interest rate method and recognized into finance cost.

Initial direct costs are recorded in the value of the leased assets.

The Company adopts the same depreciation policy for the leased assets as its self-owned property, plant and equipment. Depreciation period is determined according to the lease contract. If it is reasonably certain that the Company will obtain the ownership of the assets at the expiration of the lease, the depreciation period will be the useful lives of the leased assets. If it is not certain that the Company will obtain the ownership of the asset at the expiration of the lease, the depreciation period is the shorter of the lease period and their useful lives.

- (ii) When the Company as a lessor, at commencement of the lease, lease receivables shall be measured at minimum lease receivables plus initial direct costs relating

to lease transactions and recognized as long-term receivable in the statement of financial position. Unguaranteed residual values are recorded simultaneously. The differences between the total of minimum lease receivable, initial direct cost and unguaranteed residual values and their present value shall be recognized as unearned finance income, and shall be amortized over the lease terms as lease income at the effective interest rate method.

3.30 Changes in Significant Accounting Policies and Accounting Estimates

(a) Changes in accounting policies

On 10 December 2019, the Ministry of Finance issued *the Interpretation of Accounting Standards for Business Enterprises No.13*. This interpretation will be implemented by the Company on 1 January 2020 and will not be retroactive to the previous year.

(b) Changes in accounting estimates

The Company has no change in accounting estimates for reporting period.

4. TAXATION

4.1 Major Categories of Tax and Tax Rates Applicable to the Company

Categories of tax	Tax rate	Basis of tax assessment
Value added tax (VAT)	13.00%, 9.00%, 6.00%, 5.00%, 3.00%	Output VATs are calculated and paid on taxable revenues at a tax rate of 3%, 6%, 9%, 10%, 13%, and VATs are paid at the net amounts after deducting input VATs for the reporting period
Urban maintenance and construction tax	7.00%	Urban maintenance and construction taxes are paid on turnover taxes
Educational surcharge	5.00%	Educational surtaxes are paid on turnover taxes
Urban land use tax	CNY4.00 per square meter	Urban maintenance and construction taxes are paid on land area
House property tax	12.00%, 1.20%	Taxable rental income; residual value of house
Enterprise income tax	25.00%	Enterprise income taxes are paid on taxable profits

4.2 Tax Preference

On 18 January 2019, the State Administration of Taxation issued the *Announcement on Issues Related to the Implementation of the Preferential Income Tax Reduction Policy for Small and Low-Profit Enterprises*, which made new provisions on the Preferential Income Tax Reduction Policy for Small and Low-Profit Enterprises. The details are as follows: From 1 January 2019 to 31 December 2021, the part of annual taxable income less than CNY1 million of small-profit enterprises shall be reduced by 25% and included into the taxable income amount, and the enterprise income tax shall be paid at the tax rate of 20%; For the part of annual taxable income exceeding CNY1 million but not exceeding CNY3 million a reduction of 50% shall be included into the taxable income amount, and the enterprise income tax shall be paid at the tax rate of 20%.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 Cash and Cash Equivalents

Items	31 Dec 2020	31 Dec 2019
Cash on hand	12,359.31	4,442.66
Cash in bank	4,915,231,445.60	3,630,079,011.78
Other monetary funds		
Total	4,915,243,804.91	3,630,083,454.44
Including: The total amount deposited overseas	372,593,526.07	122,487,231.25

5.2 Notes receivable

Items	31 Dec 2020	31 Dec 2019
Bank acceptance	40,000,000.00	
Trade acceptance		
total	40,000,000.00	

Instruction: The bank acceptance bill of CNY19 million held by the Company has been pledged.

5.3 Accounts Receivable

(a) Accounts receivable by category

Items	31 Dec 2020				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	1,038,286,181.66	100.00	948,813.88	0.09	1,037,337,367.78
Portfolio 1: Related parties and relevant government departments	1,034,006,835.20	99.59			1,034,006,835.20
Portfolio 2: Aging analysis	4,279,346.46	0.41	948,813.88	22.17	3,330,532.58
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually					
Total	1,038,286,181.66	100.00	948,813.88	0.09	1,037,337,367.78

(Continued)

Items	31 Dec 2019				
	Accounts receivable		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with individually significant balance and provision for bad debt recognized individually					
Accounts receivable with bad debt provision recognized collectively by similar credit risk characteristics	570,329,884.61	100.00	881,857.44	0.15	569,448,027.17
Portfolio 1: Related parties and relevant government departments	566,338,302.12	99.30			566,338,302.12
Portfolio 2: Aging analysis	3,991,582.49	0.70	881,857.44	22.09	3,109,725.05
Accounts receivable with individually insignificant balance but provision for bad debt recognized individually					
Total	570,329,884.61	100.00	881,857.44	0.15	569,448,027.17

(a.1) Accounts receivable with individually significant balance and provision for bad debt recognized individually: There is no such item.

(a.2) In portfolio 1, the details of accounts receivable are as follows:

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Xincheng Public Engineering Co., Ltd.	582,386,897.18	56.09	
Huzhou Nantaihu New District Administrative Committee	450,993,674.00	43.44	
Others	626,264.02	0.06	
Total	1,034,006,835.20	99.59	

(a.3) In portfolio 2, accounts receivable with bad debt provision recognized collectively by aging analysis method

Aging	31 Dec 2020		
	Accounts receivable	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	2,717,382.45	135,869.12	5.00
1 to 2 years	832,243.61	83,224.36	10.00
2 to 3 years	0.00	0.00	20.00
Over 3 years	729,720.40	729,720.40	100.00
Total	4,279,346.46	948,813.88	22.17

(a.4) Accounts receivable that is individually insignificant but with bad debt provided on an individual basis: There is no such item.

(b) Provision, recovery or reversal of bad debt

Bad debt provided during the reporting period amounted to CNY66,956.44.

(c) Top closing balances by entity

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total accounts receivable (%)	Provision for bad debt
Huzhou Xincheng Public Engineering Co., Ltd.	582,386,897.18	56.09	
Huzhou Nantaihu New District Administrative Committee	450,993,674.00	43.44	
Total	1,033,380,571.18	99.53	

5.4 Prepayments

(a) Prepayments by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	1,406,718.51	100.00	38,898.03	100.00
1 to 2 years				
2 to 3 years				
Over 3 years				
Total	1,406,718.51	100.00	38,898.03	100.00

5.5 Other Receivables

(a) Other receivables by category

Items	31 Dec 2020	31 Dec 2019
Interest receivable	63,559,229.72	5,888,439.46
Dividend receivable		
Other receivables	9,933,783,319.80	10,277,977,947.32
Total	9,997,342,549.52	10,283,866,386.78

(b) Interest receivable

(b.1) Interest receivable by category

Items	31 Dec 2020	31 Dec 2019
Time deposits	63,559,229.72	5,888,439.46
Total	63,559,229.72	5,888,439.46

(b.2) Significant overdue interest

There is no such item.

(c) Dividend receivable

There is no such item.

(d) Other Receivables

(d.1) Other receivables by category

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	10,993,646.50	0.11	10,993,646.50	100.00	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	9,942,455,748.91	99.89	8,672,429.11	0.09	9,933,783,319.80
Portfolio 1: Related parties and relevant government departments	9,925,720,588.08	99.72			9,925,720,588.08
Portfolio 2: Aging analysis	16,735,160.83	0.17	8,672,429.11	51.82	8,062,731.72
Other receivable with individually insignificant balance but recognized provision for bad debt individually					
Total	9,953,449,395.41	100.00	19,666,075.61	0.20	9,933,783,319.80

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually	10,993,646.50	0.11	10,993,646.50	100.00	

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	10,289,391,905.15	99.89	11,413,957.83	0.11	10,277,977,947.32
Portfolio 1: Related parties and relevant government departments	10,213,322,963.59	99.15			10,213,322,963.59
Portfolio 2: Aging analysis	76,068,941.56	0.74	11,413,957.83	15.00	64,654,983.73
Other receivables with individually insignificant balance but recognized provision for bad debt individually					
Total	10,300,385,551.65	100.00	22,407,604.33	0.22	10,277,977,947.32

(d.1.1) Other receivables with individually significant balance and recognized provision for bad debt individually

Entity name	Balance at 31 Dec 2020	Provision for bad debt	Proportion (%)	Reason
Huzhou Gongke Construction Co., Ltd.	10,993,646.50	10,993,646.50	100.00	Irrecoverable
Total	10,993,646.50	10,993,646.50	100.00	

(d.1.2) In portfolio 1, the details of other receivables are as follows:

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Xinyuan Development and Construction Co., Ltd.	3,415,805,181.94	34.32	
Huzhou Nantaihu New District Management Committee	2,662,542,518.23	26.75	
Huzhou Xincheng Public Engineering Co., Ltd.	2,512,842,096.23	25.25	
People's Government of Huzhou City Kang Shan Sub-district Office	520,600,000.00	5.23	

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Fuyuan Construction Co., Ltd.	503,020,697.74	5.05	
Huzhou Economic Construction and Development Corporation	94,338,164.97	0.95	
Headquarters of Nantaihu High-tech Industrial Park, Management Committee of Zhejiang Huzhou Economic Development Zone	61,923,499.90	0.62	
Zhejiang Dingpei Education Investment Management Co., Ltd.	43,000,000.00	0.43	
Zhejiang Nantaihu Holding Group Co., Ltd.	39,000,000.00	0.39	
Others	72,648,429.07	0.73	
Total	9,925,720,588.08	99.72	

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis method

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	4,395,439.88	219,772.00	5.00
1 to 2 years	1,581,876.41	158,187.64	10.00
2 to 3 years	3,079,218.84	615,843.77	20.00
Over 3 years	7,678,625.70	7,678,625.70	100.00
Total	16,735,160.83	8,672,429.11	51.82

(d.2) Provision, recovery or reversal of bad debt

Bad debt reversal during the reporting period amounted to CNY2,741,528.72.

(d.3) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Xinyuan Development and Construction Co., Ltd.	3,415,805,181.94	Within 1 year	34.32	
Huzhou Nantaihu New District Administrative Committee	2,662,542,518.23	Within 1 year, 1 to 2 years, 2 to 3 years, over 3 years	26.75	
Huzhou Xincheng Public Engineering Co., Ltd.	2,512,842,096.23	Within 1 year, 1 to 2 years, 2 to 3 years, over 3 years	25.25	

Entity name	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
People's Government of Huzhou City Kang Shan Sub-district Office	520,600,000.00	1 to 2 years, 2 to 3 years, over 3 years	5.23	
Huzhou Fuyuan Construction Co., Ltd.	503,020,697.74	1 to 2 years, 2 to 3 years	5.05	
Total	9,614,810,494.14		96.60	

5.6 Inventories

(a) Inventories by category

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw material	68,817.08		68,817.08			
Low-value consumption goods	8,431.36		8,431.36			
Finished goods	911,425.64		911,425.64			
Development costs	19,727,783,210.73		19,727,783,210.73	16,972,324,575.94		16,972,324,575.94
Entrusted construction projects	18,225,326,416.11		18,225,326,416.11	16,396,230,717.44		16,396,230,717.44
Total	37,954,098,300.92		37,954,098,300.92	33,368,555,293.38		33,368,555,293.38

(b) Provision for impairment

There is no such item.

5.7 Other Current Assets

Items	31 Dec 2020	31 Dec 2019
Prepaid tax	360.00	360.00
Bank financial products		4,397.38
Reclassification from debit side balance of VAT payable	6,671,524.99	5,320,264.96
Total	6,671,884.99	5,325,022.34

5.8 Available-for-sale Financial Assets

(a) General information of available-for-sale financial assets

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale debt instruments						

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments	524,294,910.11	28,000,000.00	496,294,910.11	195,640,000.00	28,000,000.00	167,640,000.00
Measured at fair value						
Measured at cost	524,294,910.11	28,000,000.00	496,294,910.11	195,640,000.00	28,000,000.00	167,640,000.00
Total	524,294,910.11	28,000,000.00	496,294,910.11	195,640,000.00	28,000,000.00	167,640,000.00

(b) Changes in impairment of financial assets available for sale during the reporting period

There is no such item.

(c) Available-for-sale financial assets measured at cost

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Huzhou City Investment Construction Development Co., Ltd.	3,000,000.00			3,000,000.00
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.	5,000,000.00			5,000,000.00
Huzhou Gaoxin Integrated Circuit Co., Ltd. [Note a]	23,700,000.00			23,700,000.00
Huzhou Ganghua Gas Co., Ltd.	1,000,000.00			1,000,000.00
Huzhou Huazhou Construction Development Co., Ltd. [Note c]	3,500,000.00			3,500,000.00
Huzhou Xincheng Industry and Trade Co., Ltd. [Note b]	800,000.00			800,000.00
Huzhou Zhengce Guarantee Co., Ltd.	20,000,000.00			20,000,000.00
Huzhou Xinhua Environmental Protection Technology Co., Ltd.	1,600,000.00			1,600,000.00
Huzhou Huantaihu Zhongzhi Yongxingda Investment Partnership (Limited Partnership)		22,000,000.00		22,000,000.00
Huzhou Sairun Equity Investment Partnership (Limited Partnership)		66,046,917.76		66,046,917.76
Zongmu Technology (Shanghai) Co., Ltd.		50,000,000.00		50,000,000.00
Huzhou CCB Investment Fund Management Co., Ltd.		5,000,000.00	5,000,000.00	
Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership)		21,000,000.00		21,000,000.00
Zhejiang Panshi Information Technology Co., Ltd.		129,999,992.35		129,999,992.35
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.	60,000,000.00			60,000,000.00

Investees	Book value			
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Huzhou Huwan Expressway Co., Ltd.	77,040,000.00	39,608,000.00		116,648,000.00
Total	195,640,000.00	333,654,910.11	5,000,000.00	524,294,910.11

(Continued)

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2020
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020		
Huzhou City Investment Construction Development Co., Ltd.					10.00	
Huzhou Small and Medium-sized Enterprise Guarantee Center Co., Ltd.					5.00	
Huzhou Gaoxin Integrated Circuit Co., Ltd. [Note a]	23,700,000.00			23,700,000.00	40.00	
Huzhou Ganghua Gas Co., Ltd.					1.15	302,536.03
Huzhou Huazhou Construction Development Co., Ltd. [Note c]	3,500,000.00			3,500,000.00	1.43	
Huzhou Xincheng Industry and Trade Co., Ltd. [Note b]	800,000.00			800,000.00	100.00	
Huzhou Zhengce Guarantee Co., Ltd.					11.76	
Huzhou Xinhu Environmental Protection Technology Co., Ltd.					20.00	
Huzhou Huantaihu Zhongzhi Yongxingda Investment Partnership (Limited Partnership)					22.4568	
Huzhou Sairun Equity Investment Partnership (Limited Partnership)					10.2670	
Zongmu Technology (Shanghai) Co., Ltd.					6.00	
Huzhou CCB Investment Fund Management Co., Ltd.						

Investees	Provision for impairment				Share of interest in investee (%)	Cash dividends for the year ended 31 Dec 2020
	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020		
Huzhou Guojin Zuoyu Equity Investment Partnership (Limited Partnership)					4.6490	
Zhejiang Panshi Information Technology Co., Ltd.					3.8169	
Huzhou Nantaihu Industrial Cluster Construction and Development Co., Ltd.					12.00	
Huzhou Huwan Expressway Co., Ltd.					1.59	
Total	28,000,000.00			28,000,000.00		302,536.03

Notes:

a) Huzhou Gaoxin Integrated Circuit Co., Ltd.

According to the industrial and commercial inquiry, Huzhou High-core Integrated Circuit Co., Ltd. has been revoked on 30 July 2010, so the impairment loss of assets is fully accrued.

b) Huzhou Xincheng Industry and Trade Co., Ltd.

According to the "Enterprise Contractual Management Responsibility" signed between the Company and natural person Faqing Guan, the Company delivered the right of management of Huzhou Xincheng Industry Trade Co., Ltd. to Faqing Guan by contract. Therefore, Zhejiang Huzhou Huantaihu Group Co., Ltd. did not have control, joint control or significant influence on Huzhou Xincheng Industry Trade Co., Ltd. At the same time, due to the continuous loss and negative net assets of Huzhou Xincheng Industry Trade Co., Ltd., full provision for impairment loss of assets was recognized.

c) Huzhou Huazhou Construction Development Co., Ltd.

The controlling parent company of Huzhou Huazhou Construction Development Co., Ltd., Boyi International Investment Co., Ltd., was dissolved. In fact, Huzhou Huazhou Construction Development Co., Ltd. stopped operation and the investment was not expected to be recovered. Therefore, full provision for impairment loss of assets was recognized.

5.9 Long-term Receivables

(a) General information of long-term receivables

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad deb	Carrying amount	Book value	Provision for bad deb	Carrying amount
Jiangxin Fund Management Co., Ltd. (Fund Aggregate No.47)	170,000,000.00		170,000,000.00	170,000,000.00		170,000,000.00

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad deb	Carrying amount	Book value	Provision for bad deb	Carrying amount
Huzhou Nantaihu New District Management Committee	156,681,488.84		156,681,488.84	231,681,488.84		231,681,488.84
CITIC Trust Co., Ltd.	50,000,000.00		50,000,000.00			
North International Trust Co., Ltd., (Fund Jiarui No.5)	44,440,000.00		44,440,000.00	44,440,000.00		44,440,000.00
Bangyin Financial Leasing Co., Ltd.	28,000,000.00		28,000,000.00			
Huarong Financial Leasing Co., Ltd.	24,500,000.00		24,500,000.00	615,850,000.00		615,850,000.00
Guangzhou Yuexiu Financial Leasing Co., Ltd., (Security Deposit)	15,000,001.00		15,000,001.00	30,000,000.00		30,000,000.00
Guangzhou Yuexiu Financial Leasing Co., Ltd.	15,000,000.00		15,000,000.00			
Zhejiang Fuzhe Finance Leasing Co., Ltd.	14,250,000.00		14,250,000.00			
Huaxin International Trust Co., Ltd.	12,883,000.00		12,883,000.00			
Huaxin International Trust Co., Ltd., (Trust Funds)	10,540,000.00		10,540,000.00	6,600,000.00		6,600,000.00
Chongqing Xinyu Financial Leasing Co., Ltd.	10,000,000.00		10,000,000.00	2,500,000.00		2,500,000.00
CCB Trust Co., Ltd.	8,829,000.00		8,829,000.00			
Zhejiang Zheyin Financial Leasing Co., Ltd.	8,800,000.00		8,800,000.00			
Suzhou Trust Co., Ltd., (Security Deposit)	8,500,000.00		8,500,000.00			
Zheshang Jinhui Trust Co., Ltd., (Guarantee Fund)	7,500,000.00		7,500,000.00	7,500,000.00		7,500,000.00
Qingdao Qingyin Financial Leasing Co., Ltd.	7,500,000.00		7,500,000.00	50,000,000.00		50,000,000.00
Zhejiang Chouzhou Financial Leasing Co., Ltd.	7,500,000.00		7,500,000.00	3,500,000.00		3,500,000.00
Bohai International Trust Co., Ltd.	7,000,000.00		7,000,000.00	7,000,000.00		7,000,000.00
Far Eastern International Financial Leasing Co., Ltd.	5,833,300.00		5,833,300.00	93,124,411.00		93,124,411.00
CITIC Trust Co., Ltd.	5,500,000.00		5,500,000.00	5,500,000.00		5,500,000.00
Everbright Xinglong Trust Co., Ltd.	5,000,000.00		5,000,000.00	5,000,000.00		5,000,000.00

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad deb	Carrying amount	Book value	Provision for bad deb	Carrying amount
Hangzhou City Construction Investment Group Limited	5,000,000.00		5,000,000.00			
Everbright Xinglong Trust Co., Ltd.	4,999,500.00		4,999,500.00			
Hua'ao International Trust Co., Ltd.	4,400,000.00		4,400,000.00	5,500,000.00		5,500,000.00
Bohai International Trust Subscription Protection Fund (Shaoxing Bank)	4,000,000.00		4,000,000.00	4,000,000.00		4,000,000.00
Xinhua Trust Co., Ltd., (Security Fund)	4,000,000.00		4,000,000.00			
Security fund of Shanghai Aijian Trust Co., Ltd.	3,500,000.00		3,500,000.00			
Bohai Trust Co., Ltd. Jinhua Bank, (Security Fund)	3,500,000.00		3,500,000.00			
CITIC Trust Co., Ltd.	3,020,000.00		3,020,000.00			
SDIC Taikang Trust Co., Ltd.	3,000,000.00		3,000,000.00	3,000,000.00		3,000,000.00
Bohai International Trust Co., Ltd., (Trust Protection Fund), (Huzhou Bank)	3,000,000.00		3,000,000.00	3,000,000.00		3,000,000.00
Jiangsu Financial Leasing Co., Ltd.	3,000,000.00		3,000,000.00	3,000,000.00		3,000,000.00
China Railway Trust Co., Ltd.	3,000,000.00		3,000,000.00	1,200,000.00		1,200,000.00
Shaanxi International Trust Co., Ltd.	3,000,000.00		3,000,000.00			
Bank of Communications International Trust Co., Ltd.	3,000,000.00		3,000,000.00			
Guarantee fund of Shanghai Aijian Trust	3,000,000.00		3,000,000.00			
Huaxin International Trust Co., Ltd.	2,971,000.00		2,971,000.00			
Zhejiang Construction Finance Leasing Co., Ltd.	2,550,000.00		2,550,000.00			
Guarantee fund of Zheshang Jinhui Trust Co., Ltd.	2,500,000.00		2,500,000.00			
Xiamen International Trust Co., Ltd.	2,400,000.00		2,400,000.00			

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for bad deb	Carrying amount	Book value	Provision for bad deb	Carrying amount
Shanghai International Trust Co., Ltd. (Special Account of Trust Industry Protection Fund)	2,000,000.00		2,000,000.00			
Huarun Shengtuotou Trust Co., Ltd.	1,700,000.00		1,700,000.00	1,700,000.00		1,700,000.00
Zhejiang State Financial Leasing Co., Ltd.	1,600,000.00		1,600,000.00	1,600,000.00		1,600,000.00
Security fund of Chang'an International Trust Co., Ltd.	1,200,000.00		1,200,000.00			
China Golden Valley International Trust Co., Ltd.	1,085,000.00		1,085,000.00			
Xiamen International Trust Co., Ltd.	1,000,000.00		1,000,000.00			
Minmetals International Trust Co., Ltd.	843,000.00		843,000.00	2,843,000.00		2,843,000.00
Security fund of Shanxi Trust Co., Ltd.	691,000.00		691,000.00	691,000.00		691,000.00
Security fund of Shanghai Aijian Trust Co., Ltd.	500,000.00		500,000.00			
Bohai International Trust Co., Ltd.				2,500,000.00		2,500,000.00
International Far Eastern Leasing				3,405,926.00		3,405,926.00
China Construction Investment Trust Co., Ltd.				2,982,000.00		2,982,000.00
Total	697,716,289.84		697,716,289.84	1,308,117,825.84		1,308,117,825.84

(b) Long-term receivables derecognized due to transfer of financial assets

There is no such item.

(c) Asset or liabilities formed due to continuous involvement in the transferred long-term receivables

There is no such item.

5.10 Long-term Equity Investments

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
I. Joint ventures						
Sub-total						

Investees	31 Dec 2019	Changes during the reporting period				
		Increase during the reporting period	Decrease during the reporting period	Gains /(losses) on investments under the equity method	Adjustments of other comprehensive income	Changes in other equity
II. Associates						
Huzhou Nantaihu Construction Investment Management Co., Ltd.	378,094,411.95			11,360,680.41		
Zhejiang Haigang Huzhou Port Co., Ltd.	2,999,439.00			4,934.35		
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.		14,700,000.00				
Baishan Huicheng park Development and Construction Co., Ltd.		30,000,000.00				
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.		10,000,000.00		206,196.31		
Huzhou Shanggang International Port Co., Ltd.		12,500,000.00				
Huzhou Chanjing Industrial Development Co., Ltd.		980,000,000.00		-236,661.26		
Zhejiang Xin Future Talent Development Co., Ltd.		900,000.00		-109,292.53		
Sub-total	381,093,850.95	1,048,100,000.00		11,225,857.28		
Total	381,093,850.95	1,048,100,000.00		11,225,857.28		

(Continued)

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
I. Joint ventures					
Sub-total					

Investees	Changes during the reporting period			31 Dec 2020	Provision for impairment at 31 Dec 2020
	Declaration of cash dividends or distribution of profit	Provision for impairment	Others		
II. Associates					
Huzhou Nantaihu Construction Investment Management Co., Ltd.				389,455,092.36	
Zhejiang Haigang Huzhou Port Co., Ltd.				3,004,373.35	
Huzhou Traffic Green and Environmental Protection New Materials Co., Ltd.				14,700,000.00	
Baishan Huicheng park Development and Construction Co., Ltd.				30,000,000.00	
Zhejiang Chaoyue CNC Electronic Technology Co., Ltd.				10,206,196.31	
Huzhou Shanggang International Port Co., Ltd.				12,500,000.00	
Huzhou chanjing Industrial Development Co., Ltd.				979,763,338.74	
Zhejiang Xin Future Talent Development Co., Ltd.				790,707.47	
Sub-total				1,440,419,708.23	
Total				1,440,419,708.23	

5.11 Investment Properties

(a) Investment properties accounted for using fair value model

Items	Buildings and constructions	Total
Balance at 31 December 2019	1,538,131,610.26	1,538,131,610.26
Increase during the reporting period	561,901,694.73	561,901,694.73
(i) Acquisition	61,399,853.69	61,399,853.69
(ii) Transfer from inventories	372,087,005.78	372,087,005.78
(iii) Business combination		
(iv) Changes in fair value	128,414,835.26	128,414,835.26
Decrease during the reporting period		
(i) Disposal		
(ii) Others		
(iii) Changes in fair value		
Balance at 31 December 2020	2,100,033,304.99	2,100,033,304.99

(b) Investment properties without certificate of title

There is no such item.

5.12 Property, plant and equipment**(a) Property, plant and equipment by category**

Items	31 Dec 2020	31 Dec 2019
Property, plant and equipment	674,351,321.38	80,870,357.82
Disposal of property, plant and equipment		
Total	674,351,321.38	80,870,357.82

(b) Property, plant and equipment**(b.1) General information of property, plant and equipment**

Items	Buildings and constructions	Machinery equipment	Office and electronic equipment	Vehicles	Total
I. Initial cost:					
Balance at 31 Dec 2019	81,411,005.69	1,325,692.01	5,355,681.79	2,193,579.80	90,285,959.29
Increase during the reporting period	615,721,765.94	70,209.12	5,826,270.83	368,100.00	621,986,345.89
(i) Acquisition	21,853.10	70,209.12	5,686,390.66	368,100.00	6,146,552.88
(ii) transfer from construction in process			139,880.17		139,880.17
(iii) transfer from inventories	615,699,912.84				615,699,912.84
(iv) during the reporting period					
(v) Scrappage					
Balance at 31 Dec 2020	697,132,771.63	1,395,901.13	11,181,952.62	2,561,679.80	712,272,305.18
II. Accumulated depreciation:					
Balance at 31 Dec 2019	2,508,096.84	991,987.15	4,245,294.84	1,670,222.64	9,415,601.47
Increase during the reporting period	27,117,629.21	97,693.27	1,107,222.42	182,837.43	28,505,382.33
(i) Provision	27,117,629.21	97,693.27	1,107,222.42	182,837.43	28,505,382.33
Decrease during the reporting period					
(i) Scrappage					
(ii) Disposal					
Balance at 31 Dec 2020	29,625,726.05	1,089,680.42	5,352,517.26	1,853,060.07	37,920,983.80
III. Provision for impairment:					

Items	Buildings and constructions	Machinery equipment	Office and electronic equipment	Vehicles	Total
Balance at 31 Dec 2019					
Increase during the reporting period					
(iii) Provision					
Decrease during the reporting period					
(iv) Scrappage					
(v) Disposal					
Balance at 31 Dec 2020					
IV. Carrying amount:					
Balance at 31 Dec 2020	667,507,045.58	306,220.71	5,829,435.36	708,619.73	674,351,321.38
Balance at 31 Dec 2019	78,902,908.85	333,704.86	1,110,386.95	523,357.16	80,870,357.82

(b.2) Property, plant and equipment acquired under finance leases

There is no such item.

(b.3) Property, plant and equipment leasing out under operating leases

There is no such item.

(c) Disposal of property, plant and equipment

There is no such item.

5.13 Construction in Progress

(a) Construction in progress by category

Items	31 Dec 2020	31 Dec 2019
Construction in progress	183,844,563.85	72,129,151.81
Construction materials		
Total	183,844,563.85	72,129,151.81

(b) Construction in progress

(b.1) General information of construction in progress

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Huzhou Logistics Centre Base	143,876,422.46		143,876,422.46	62,293,228.62		62,293,228.62

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Other projects	39,968,141.39		39,968,141.39	9,835,923.19		9,835,923.19
Total	183,844,563.85		183,844,563.85	72,129,151.81		72,129,151.81

(b.2) Changes in significant projects of construction in progress

Projects	31 Dec 2019	Increase during the reporting period	Transfer to property, plant and equipment	Decrease during the reporting period	31 Dec 2020
Huzhou Logistics Centre Base	62,293,228.62	81,583,193.84			143,876,422.46
Total	62,293,228.62	81,583,193.84			143,876,422.46

(b.3) Provision for impairment during the reporting period

There is no such item.

(c) Construction Materials

There is no such item.

5.14 Intangible Assets

(a) General information of intangible assets

Items	Land use right	Total
Initial cost:		
Balance at 31 Dec 2019	87,408,519.61	87,408,519.61
Increase during the reporting period		
(i) Acquisition		
Decrease during the reporting period	1,130,179.53	1,130,179.53
(i) Others	1,130,179.53	1,130,179.53
Balance at 31 Dec 2020	86,278,340.08	86,278,340.08
Accumulated amortization:		
Balance at 31 Dec 2019	5,519,904.41	5,519,904.41
Increase during the reporting period	2,272,370.04	2,272,370.04
(i) Provision	2,272,370.04	2,272,370.04
Decrease during the reporting period		
Balance at 31 Dec 2020		
Provision for impairment:		
Balance at 31 Dec 2019		
Increase during the reporting period		
Decrease during the reporting period		
Balance at 31 Dec 2020		

Items	Land use right	Total
Carrying amount:		
Balance at 31 Dec 2020	78,486,065.63	78,486,065.63
Balance at 31 Dec 2019	81,888,615.20	81,888,615.20

5.15 Long-term Deferred Expenses

Items	31 Dec 2019	Increase during the reporting period	Amortization during the reporting period	Decrease during the reporting period	31 Dec 2020
Financing fee	24,917,897.62	37,520,000.00	16,125,315.18		46,312,582.44
Financing underwriting fee	10,099,741.00		5,866,494.00		4,233,247.00
Framework Road	4,135,620.97		552,320.94		3,583,300.03
Science and Innovation Center First Stage Building No.5 1st Floor Lecture Hall Renovation and Upgrading Project	2,993,392.86		560,270.96		2,433,121.90
Other projects	71,250,596.85		7,916,733.00		63,333,863.85
Total	113,397,249.30	37,520,000.00	31,021,134.08		119,896,115.22

5.16 Deferred Tax Assets and Deferred Tax Liabilities**(a) Deferred tax assets before offsetting**

Items	31 Dec 2020		31 Dec 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment loss	48,567,753.40	12,141,938.35	51,285,723.58	12,821,430.90
Total	48,567,753.40	12,141,938.35	51,285,723.58	12,821,430.90

(b) Deferred tax liabilities before offsetting

Items	31 Dec 2020		31 Dec 2019	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Change in fair value of investment properties	782,884,447.23	195,721,111.80	654,469,611.97	163,617,402.99
Pre-tax deductible depreciation impact amount of investment properties	60,314,212.92	15,078,553.23	60,314,212.92	15,078,553.23
Total	843,198,660.15	210,799,665.03	714,783,824.89	178,695,956.22

(c) Net balance of deferred tax liabilities and deferred tax assets after offsetting

There is no such item.

(d) Unrecognized deferred tax assets

Items	31 Dec 2020	31 Dec 2019
Deductible temporary differences	47,136.11	3,738.19
Total	47,136.11	3,738.19

5.17 Other non-current asset

Items	31 Dec 2020	31 Dec 2019
Zhejiang Teruishi Pharmaceutical Inc. <i>[Note a]</i>	736,026,248.55	
Microvast Power Systems Co., Ltd. <i>[Note b]</i>	500,000,000.00	
Lanjian Aerospace Technology Co., Ltd. <i>[Note b]</i>	45,000,000.00	
Land Space Technology Co., Ltd.	11,938,771.00	
Total	1,292,965,019.55	

Notes:

- a) Huzhou Saihan Equity Investment Partnership (Limited Partnership), a subsidiary of the Company, signed a convertible bond investment agreement with Zhejiang Teruishi Pharmaceutical Inc., Ltd. It was agreed that the final amount of the convertible bond shall be determined according to the contract or through negotiation between both parties after the conditions for the exercise of the convertible bond were met; If the conditions for conversion are not met, the right shall not be exercised, and the investor shall return the investment principal, investment income and other contractual funds in a lump sum within a certain period after the maturity of the convertible bond investment. According to the agreement, the Company is unable to affect the production and operation of the project enterprise at present. After industrial and commercial information inquiry, the equity of the project enterprise has not changed.
- b) Huzhou Saiyuan Equity Investment Partnership (Limited Partnership), a subsidiary of the Company, signed a convertible bond investment agreement with Microvast Power Systems Co., Ltd., Zhejiang Teruishi Pharmaceutical Inc., Ltd. and Land Space Technology Co., Ltd., (about Lanjian Aerospace Technology Co., Ltd.), and agreed that after the conditions for equity conversion exercise were met, the Company would, Determine the final amount of conversion according to the contract or through negotiation between both parties; If the conditions for conversion are not met, the right shall not be exercised, and the investor shall return the investment principal, investment income and other contractual funds in a lump sum within a certain period after the maturity of the convertible bond investment. According to the agreement, the Company is unable to affect the production and operation of the project enterprise at present. After industrial and commercial information inquiry, the equity of the project enterprise has not changed.

5.18 Short-term Borrowings

(a) Disclosure of short-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Guarantee loans	2,445,200,000.00	1,264,300,000.00
Pledge loan	1,356,800,000.00	585,000,000.00
Mortgage loan	120,000,000.00	
Mortgage and guarantee loan	50,000,000.00	
Total	3,972,000,000.00	1,849,300,000.00

(b) Overdue short-term borrowings

There is no such item.

5.19 Notes Payable

Category	31 Dec 2020	31 Dec 2019
Bank acceptance bills	15,000,000.00	
Commercial acceptance bills	64,450,000.00	260,000,000.00
Total	79,450,000.00	260,000,000.00

5.20 Accounts Payable

(a) Details of Accounts payable by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	262,068,035.66	60.85	9,549,731.05	4.45
1 to 2 years	143,774.05	0.03	7,152,957.80	3.33
2 to 3 years	769,962.00	0.18	2,296,084.25	1.07
Over 3 years	167,679,740.63	38.94	195,769,683.01	91.15
Total	430,661,512.34	100.00	214,768,456.11	100.00

5.21 Advances from Customers

(a) Details of advances from customers

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	296,986,128.57	99.89	2,273,507.67	56.45
1 to 2 years	231,153.72	0.08	1,753,730.20	43.55
2 to 3 years	87,361.70	0.03		
Over 3 years				
Total	297,304,643.99	100.00	4,027,237.87	100.00

5.22 Employee Benefits Payable

(a) Details of employee benefits payable

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Short-term employee benefits	16,100.00	39,347,717.71	39,180,538.49	183,279.22
Post-employment benefits-defined contribution plans	209,215.20	1,675,224.00	1,596,852.48	287,586.72
Termination benefits				
Other benefits due within one year				
Total	225,315.20	41,022,941.71	40,777,390.97	470,865.94

(b) Short-term employee benefits

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Salaries, bonuses, allowances and subsidies	15,800.00	26,121,305.35	26,016,305.35	120,800.00
Employee benefits		5,297,386.00	5,297,386.00	-
Social insurance:		1,498,995.73	1,446,489.79	52,505.94
(i) Health insurance		1,478,566.03	1,426,060.09	52,505.94
(ii) Injury insurance		9,283.82	9,283.82	-
(iii) Birth insurance		11,145.88	11,145.88	
Housing accumulation fund		4,472,816.00	4,472,816.00	-
Labor union funds and employee education funds	300.00	840,928.44	834,703.44	6,525.00
Short-term absence pays		1,116,286.19	1,112,837.91	3,448.28
Short-term profit-sharing plan				
Total	16,100.00	39,347,717.71	39,180,538.49	183,279.22

(c) Defined contribution plans

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Basic endowment insurance	209,215.20	1,531,425.63	1,456,959.61	283,681.22
Unemployment insurance		74,206.05	70,300.55	3,905.50
Enterprise annuity		69,592.32	69,592.32	
Total	209,215.20	1,675,224.00	1,596,852.48	287,586.72

5.23 Taxes Payable

Items	31 Dec 2020	31 Dec 2019
Value added tax (VAT)	50,135,164.62	38,983,954.18
Business tax	13,649,466.95	13,113,750.67

Items	31 Dec 2020	31 Dec 2019
Urban maintenance and construction tax	5,050,032.06	4,936,473.73
Enterprise income tax	198,470,464.99	188,852,879.65
Personal income tax	23.54	23.54
Property tax	3,394,005.71	2,155,557.38
Stamp duty	184,229.05	534.25
Urban land use tax	7,542,533.08	7,542,533.08
Educational surcharge	3,381,637.85	3,353,556.64
Water construction funds	899,211.31	899,211.31
Land value-added tax		1,673,072.06
Others	1,136,913.60	1.00
Total	283,843,682.76	261,511,547.49

5.24 Other Payables

(a) Other payables by category

Items	31 Dec 2020	31 Dec 2019
Interest payable	344,820,608.31	162,352,476.49
Dividend payable		7,520,138.89
Other payables	1,292,604,905.68	1,418,840,030.80
Total	1,637,425,513.99	1,588,712,646.18

(b) Interest payable

Items	31 Dec 2020	31 Dec 2019
Interest on short-term borrowings	18,518,738.91	6,532,544.39
Interest on long-term borrowings with installment interest payments and the repayment of the principal at maturity	90,288,111.18	25,821,992.30
Interest on long-term payables	22,535,138.78	6,433,835.67
Interest on corporate bonds	188,215,536.11	102,930,354.13
Interest on other current liabilities	25,263,083.33	20,633,750.00
Total	344,820,608.31	162,352,476.49

Unpaid overdue interest with significant amount: There is no such item.

(c) Dividends payable

Items	31 Dec 2020	31 Dec 2019
Dividends on perpetual capital securities classified as equity instruments		7,520,138.89
Total		7,520,138.89

(d) Other payables

(d.1) Disclosure of other payables by aging

Aging	31 Dec 2020		31 Dec 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including 1 year)	361,103,819.04	37.59	633,835,819.44	44.67
1 to 2 years	224,087,580.90	15.01	312,607,899.50	22.03
2 to 3 years	266,685,854.13	17.87	37,856,630.50	2.67
Over 3 years	440,727,651.61	29.53	434,539,681.36	30.63
Total	1,292,604,905.68	100.00	1,418,840,030.80	100.00

(d.2) Top five closing balances by entity

Entity	Amount	Proportion (%)
Yangjiabu Sub-district Office of Huzhou Municipal People's Government	226,900,000.00	17.55
Huzhou Nantaihu Construction Investment Management Co., Ltd.	380,000,000.00	29.40
Huzhou Xincheng industry and Trade Co., Ltd.	288,500,000.00	22.32
Huzhou Industry Fund Investment Co., Ltd.	100,145,833.33	7.75
Huzhou Nantaihu Industrial Cluster Zone Construction and Development Co., Ltd.	52,850,000.00	4.09
Total	1,048,395,833.33	81.11

5.25 Non-current Liabilities Maturing within One Year

Items	31 Dec 2020	31 Dec 2019
Long-term borrowings maturing within one year	7,240,092,000.00	7,577,055,890.64
Bonds payable maturing within one year	1,082,320,952.40	2,042,546,049.76
Long-term payables maturing within one year	822,458,056.54	700,241,174.61
Other non-current liabilities maturing within one year	300,000,000.00	
Total	9,444,871,008.94	10,319,843,115.01

5.26 Other Current Liabilities

Items	31 Dec 2020	31 Dec 2019
The product of the right of return on assets of Zhelitou "Fenglai"		95,389,219.44
The product of the right of return on assets of Zhelitou "Kangfu"		146,000,000.00
Zhejiang Equity Exchange Centre (Zhelitou)		59,585,222.22
Total		300,974,441.66

5.27 Long-term Borrowings

(a) Long-term borrowings by category

Items	31 Dec 2020	31 Dec 2019
Guarantee loans	7,857,300,000.00	8,390,400,000.00

Items	31 Dec 2020	31 Dec 2019
Pledge loans	1,714,900,000.00	1,831,000,000.00
Guarantee and mortgage loans	270,333,550.70	588,613,841.68
Guarantee and pledge loans	1,724,963,076.78	2,140,323,076.78
Guarantee, mortgage and pledge loans	40,000,000.00	80,000,000.00
Total	11,607,496,627.48	13,030,336,918.46

(b) Overdue long-term borrowings

There is no such item.

5.28 Bonds payable

(a) General information of bonds payable

Items	31 Dec 2020	31 Dec 2019
16 Huantaihu MIN001	788,571,428.57	788,571,428.57
17 Huantaihu MTN001	700,000,000.00	700,000,000.00
18 Huantaihu PPN001		700,000,000.00
20 Huantaihu MTN001	1,500,000,000.00	
Non-Public Issuance of Corporate Bonds in 2020	1,900,000,000.00	
Huantaihu International Dollar Bond	1,298,373,538.75	
14 Xisaishan Bond		197,603,809.54
17 Xisaishan PPN001	565,644,000.00	597,822,000.00
18 Zhexisaishan ZR001		198,666,666.67
19 Zhexisaishan Bond RZ001	288,310,251.51	300,000,000.00
Zhejiang Equity Exchange Centre		182,920,000.00
20 Xisaishan PPN001	496,111,111.11	
Total	7,537,010,329.94	3,665,583,904.78

(b) Changes in bonds payable

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec 2019	Due within one year	Current issued
16 Huantaihu MIN001	100	12 Aug 2016	7 years	800,000,000.00	788,571,428.57		
17 Huantaihu MTN001	100	23 Aug 2017	7 years	700,000,000.00	700,000,000.00		
17 Huantaihu PPN001	100	16 Nov 2017	3 years	800,000,000.00	800,000,000.00	800,000,000.00	
18 Huantaihu PPN001	100	20 Nov 2018	3 years	700,000,000.00	700,000,000.00		
20 Huantaihu MTN001	100	1 Sept 2020	5 years	1,500,000,000.00			1,500,000,000.00
2020 Huanhu 01	100	14 Oct 2020	5 years	1,900,000,000.00			1,900,000,000.00

Bonds	Par value	Issue date	Bonds duration	Amount issued	31 Dec 2019	Due within one year	Current issued
Huantaihu International Dollar Bond	100	17 Mar 2020	3 years	1,401,880,000.00			1,401,880,000.00
14 Xisaishan Bond	100	20 Apr 2014	7 years	1,000,000,000.00	397,603,809.54	200,000,000.00	
17 Xisaishan PPN001	100	27 Sept 2017	5 years	600,000,000.00	597,822,000.00		
18 Zhexisaishan ZR001	100	28 Dec 2018	3 years	200,000,000.00	198,666,666.67		
19 Zhexisaishan Bond RZ001	100	9 Dec 2019	3 years	300,000,000.00	300,000,000.00		
Zhejiang Equity Exchange Centre		24 Dec 2018	3 years	190,640,000.00	250,640,000.00	67,720,000.00	
20 Xisaishan PPN001	100	16 Dec 2020	3 years	500,000,000.00			500,000,000.00
Total				6,942,338,900.00	4,733,303,904.78	1,067,720,000.00	5,301,880,000.00

(Continued)

Bonds	Issue fee	Amortization of premium /discount	Repayment during the reporting period	Others	31 Dec 2020	Due within one year
16 Huantaihu MIN001					788,571,428.57	
17 Huantaihu MTN001					700,000,000.00	
17 Huantaihu PPN001			800,000,000.00			
18 Huantaihu PPN001					700,000,000.00	700,000,000.00
20 Huantaihu MTN001					1,500,000,000.00	
2020 Huanhu 01					1,900,000,000.00	
Huantaihu International Dollar Bond	9,462,690.00	2,278,310.63		96,322,081.88	1,298,373,538.75	
14 Xisaishan Bond		1,797,142.86	200,000,000.00		199,400,952.40	199,400,952.40
17 Xisaishan PPN001		792,000.00	32,970,000.00		565,644,000.00	
18 Zhexisaishan ZR001		1,333,333.33	200,000,000.00			
19 Zhexisaishan Bond RZ001	17,534,622.73	5,844,874.24			288,310,251.51	
Zhejiang Equity Exchange Centre			67,720,000.00		182,920,000.00	182,920,000.00

Bonds	Issue fee	Amortization of premium /discount	Repayment during the reporting period	Others	31 Dec 2020	Due within one year
20 Xisaishan PPN001	4,000,000.00	111,111.11			496,111,111.11	
Total	30,997,312.73	12,156,772.17	1,300,690,000.00	96,322,081.88	8,619,331,282.34	1,082,320,952.40

Instructions:

- In this period, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, issued the first phase of medium-term notes in 2020 (referred to as "20 Huantaihu MTN001"), with an issue amount of CNY1.5 billion. It is a five-year fixed rate bond with simple interest and annual interest rate of 4.70%. The bond is guaranteed by the Company in full, unconditional and irrevocable joint and several liability. The value date of the bond is 2 September 2020 and the maturity date is 2 September 2025;
- In this period, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, issued Non-Public Corporate Bonds (Phase I) in 2020 (referred to as "20 Huanhu 01"), with an amount of CNY1.9 billion. It is a five-year fixed rate bond with simple interest rate of 5.30%. The bond is guaranteed by the Company with full, unconditional and irrevocable joint and several liability. The value date of the bond is 15 October 2020 and the maturity date is 15 October 2025;
- In the current period, the Company's subsidiary, Huantaihu International Investment Co., Ltd., issued US dollar bonds with a total amount of US \$200 million, which are 3-year fixed rate bonds with annual interest rate of 4.50%. The bond is guaranteed by the Company with full, unconditional and irrevocable joint and several liability. The value date of the bond is 17 March 2020 and the maturity date is 17 March 2023;
- In this period, Huzhou Xisaishan Development and Construction Co., Ltd., a subsidiary of the Company, issued the First Phase of Targeted Debt Financing Instruments in 2020 (referred to as "20 Xisaishan PPN001"), with an issue amount of CNY500 million. It is a 3-year fixed rate bond, which adopts simple interest, with an annual interest rate of 5.50%. The bond is guaranteed by the Company in full, unconditional and irrevocable joint and several liability. The value date of the bond is 16 December 2020 and the maturity date is 16 December 2023;
- Others are the current exchange rate changes of Huantaihu International Dollar Bond.

(c) Conversion period and conditions for convertible bonds

There is no such item.

(d) Other financial instruments classified as financial liabilities:

There is no such item.

5.29 Long-term Payables

(a) Long-term payables by category

Items	31 Dec 2020	31 Dec 2019
Long-term payables	2,844,690,927.52	1,150,640,876.70
Specific items payable	313,535,396.90	281,072,717.90
Total	3,158,226,324.42	1,431,713,594.60

(b) Disclosure of long-term payables by entity

Items	31 Dec 2020	31 Dec 2019
China Railway Tunnel Huzhou Investment and Construction Co., Ltd.	101,320,000.00	157,320,000.00
Zhejiang Jingjian Investment Management Co., Ltd.	70,000,000.00	70,000,000.00
Guangzhou Yuexiu Financial Leasing Co., Ltd.	210,000,000.00	14,837,160.44
CDB Development Fund Co., Ltd.	17,961,956.33	23,400,000.00
Far Eastern International Financial Leasing Co., Ltd.		927,043.81
Jiangsu Financial Leasing Co., Ltd.	13,426,615.00	26,666,613.00
Zhejiang Haoxiao Investment Management Co., Ltd.	303,200,000.00	397,580,000.00
Zhejiang State Financial Leasing Co., Ltd.	46,615,046.52	61,334,708.55
Chongqing Xinyu Financial Leasing Co., Ltd.	140,000,000.00	
Qingdao Qingyin Financial Leasing Co., Ltd.	53,367,352.52	
Zhejiang Chouzhou Financial Leasing Co., Ltd.	110,160,378.13	
Huzhou Feiying Financial Leasing Co., Ltd.	100,000,000.00	
Wuxi Caitong Finance Leasing Co., Ltd.	337,109,923.35	
Huarong Financial Leasing Co., Ltd.	256,027,149.96	
Maxwealth Financial Leasing Co., Ltd.	140,000,000.00	
Zhejiang zheyin Financial Leasing Co., Ltd.	180,574,026.07	
Changjiang United Financial Leasing Co., Ltd.	82,679,278.77	
Guolong juntu Finance Leasing Co., Ltd.	99,173,999.12	
Zhejiang Construction Finance Leasing Co., Ltd.	1,235,963.76	6,203,572.88
Zhejiang Fuzhe Financial Leasing Co., Ltd.	26,442,934.86	74,826,248.47
Juhua Group Shanghai Finance Leasing Co., Ltd.		1,904,860.90
Hangzhou City Investment Leasing Co., Ltd.		4,048,149.87
Far East International Finance Leasing Co., Ltd.	3,425,270.66	11,129,748.21
Hengqin Huatong Financial Leasing Co., Ltd.	8,942,308.42	50,462,770.57
Bonyin Financial Leasing Co., Ltd.	293,028,724.05	
China Agricultural Development Key Construction Fund Co., Ltd.	250,000,000.00	250,000,000.00
Total	2,844,690,927.52	1,150,640,876.70

(c) Specific items payable

Items	31 Dec 2019	31 Dec 2020
Special Central Fund Subsidies for Resettlement Community and Shantytown Reconstruction	5,366,544.00	5,366,544.00
Construction Funds for Changhushen Fairway West Extension Project	50,000,000.00	50,000,000.00
Infrastructure spending for Kangshan Centre Fenghuang Center Community Health Service Center	8,160,000.00	8,160,000.00
Special Funds for Comprehensive Improvement of Small Towns in Tangkou	2,500,000.00	2,500,000.00
Special funds for Tiaoxi Qingshui Lake Follow-up Project	155,046,173.90	155,046,173.90
Central Construction Capital for Infrastructure Construction for Supportable Housing Projects	60,000,000.00	60,000,000.00
Project Construction Subsidy Fund	30,215,279.00	
Capital Fund of 20 Hu hang Railway Project in Nantaihu New District	2,247,400.00	
Total	313,535,396.90	281,072,717.90

5.30 Other Non-current Liabilities

Items	31 Dec 2019	Increase during the reporting period	Issue fee	Amortization of premium /discount	Repayment during the reporting period	31 Dec 2020
The First Phase of Debt Financing Plan in 2019	500,000,000.00		-22,500,000.00	7,500,000.00		485,000,000.00
The Second Phase of Debt Financing Plan in 2019	300,000,000.00					300,000,000.00
20 Zhehuzhou Economic Development ZR001		300,000,000.00	-1,680,000.00	350,000.00		298,670,000.00
20 Zhehuzhou Economic Development ZR002		500,000,000.00	-1,200,000.00	100,000.00		498,900,000.00
20 Zhehuantaihu ZR002		200,000,000.00				200,000,000.00
20 Zhexisaishan ZR001		210,000,000.00	-1,807,255.57	828,325.47		209,021,069.90
20 Zhexisaishan ZR002		100,000,000.00	-860,597.89	394,440.70		99,533,842.81
20 Zhexisaishan ZR003		280,000,000.00	-2,409,674.10	1,104,433.96		278,694,759.86
20 Zhexisaishan ZR004		180,000,000.00	-1,549,076.20	709,993.26		179,160,917.06
Total	800,000,000.00	1,770,000,000.00	-32,006,603.76	10,987,193.39		2,548,980,589.63

5.31 Paid-in Capital

Investment entity	31 Dec 2019		Increase during the reporting period	Decrease during the reporting period	31 Dec 2020	
	Proportion of ownership interest (%)	Amount			Proportion of ownership interest (%)	Amount
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	100.00	200,000,000.00	300,000,000.00		100.00	500,000,000.00
Total	100.00	200,000,000.00	300,000,000.00		100.00	500,000,000.00

Instruction: In the current period, the State-owned Assets Supervision and Administration Commission of Huzhou Municipal People's Government paid in CNY300 million.

5.32 Other Equity Instruments

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Perpetual Medium-term Notes	350,000,000.00		350,000,000.00	
Total	350,000,000.00		350,000,000.00	

Instruction: The decrease in the current period is the return of the principal of the Perpetual Medium-term Notes.

5.33 Capital Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Capital premium	13,884,206,873.77			13,884,206,873.77
Other capital reserves		750,209,967.30	343,318,617.86	406,891,349.44
Total	13,884,206,873.77	750,209,967.30	343,318,617.86	14,291,098,223.21

Instruction: Changes and relevant reasons for capital reserves

- According to the *Notice on Arranging the Financial Allocation of Huzhou Economic Development Investment Group Co., Ltd.* in 2020 issued by the Huzhou Nantaihu New District Administrative Committee, the Company received the allocation from the Finance Bureau of Huzhou Nantaihu New District, increasing the capital reserve by CNY180 million;
- According to the *Notice on Arranging the Financial Allocation of Zhejiang Huzhou Huantaihu Group Co., Ltd.* in 2020 issued by the Huzhou Nantaihu New District Administrative Committee, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, received the allocation from the Huzhou Nantaihu New District Administrative Committee, increasing the capital reserve by CNY232,749,428.80;

- c) According to the *Notice on Allocating Funds for 2020* issued by the Huzhou Nantaihu New District Administrative Committee, Huzhou Xisaishan Development and Construction Co., Ltd., a subsidiary of the Company, received CNY186.43 million from the Finance Bureau of Huzhou Nantaihu New District, which was included in the capital reserve;
- d) According to the notice on allocating funds for 2020 issued by the Huzhou Nantaihu New District Administrative Committee, Huzhou Chengxi New Rural Construction Investment Company, the grandson of the Company, received CNY131.81 million of compensation for demolition of Huangshu Fushan Village from the Finance Bureau of Huzhou Nantaihu New District, and CNY367,038.50 of subsidy for Committee fees of rural domestic sewage treatment facilities from March to August, The special fund subsidy for highway reconstruction project from Xisai road to Tangkou market town is CNY18,853,500.00, totaling CNY151,030,538.50, which is included in the capital reserve;
- e) According to the Notice on Recovering the Land Assets of the Huantaihu Company issued by the Huzhou Nantaihu New District Administrative Committee, the Huzhou Nantaihu New District Administrative Committee recovered the land assets of Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, free of charge, and offset the capital reserve by CNY329.84 million;
- f) According to the Notice on Clarifying the Allocation of Property Share of Partnership issued by the Huzhou Nantaihu New District Administrative Committee, the Huzhou Nantaihu New District Administrative Committee transferred the equity of Huzhou Saiyuan Equity Investment Partnership (Limited Partnership) originally held by the management committee into Huzhou Jinfu Equity Investment Fund Management Co., Ltd., a subsidiary of the Company. The long-term equity investment is recognized according to the net assets of the investee held at the time of transfer, and the capital reserve is reduced by CNY13,478,617.86.

5.34 Other Comprehensive Income

Items	31 Dec 2019	Changes during the reporting period					31 Dec 2020
		Amount before tax	Less: Items previously recognized in other comprehensive income being reclassified to current profit or loss	Less: Income tax expenses	Attributable to owners of the Company	Attributable to non-controlling interest	
Items that will not be reclassified subsequently to profit or loss							
Including: Changes of remeasurement of the defined benefit plan							
Other comprehensive income will not be reclassified into profit or loss under equity method							
Items that may be reclassified subsequently to profit or loss	344,942,666.94	104,654,718.41		15,922,919.95	88,731,798.46		433,674,465.40
Including: Other comprehensive income will be reclassified into profit or loss under equity method	350,663,972.81						350,663,972.81
Exchange differences on translating foreign operations	-5,721,305.87	40,963,038.63					35,241,732.76
The part of the fair value greater than the book value on the conversion date when the self-use real estate or inventory is converted to the investment real estate measured by the fair value model		63,691,679.78		15,922,919.95	47,768,759.83		47,768,759.83
Total	344,942,666.94	104,654,718.41		15,922,919.95	136,500,558.29		433,674,465.40

5.35 Surplus Reserves

Items	31 Dec 2019	Increase during the reporting period	Decrease during the reporting period	31 Dec 2020
Statutory surplus reserves	206,932,044.90			206,932,044.90
Total	206,932,044.90			206,932,044.90

5.34 Retained Earnings

Items	2020	2019
Balance at the end of last period before adjustments	2,613,298,611.89	1,918,795,274.51
Adjustments for the opening balance (increase /(decrease))		210,880,158.43
Balance at the beginning of the reporting period after adjustments	2,613,298,611.89	2,129,675,432.94
Add: net profit attributable to owners of the parent company for the reporting period	398,867,428.71	506,373,178.95
Less: appropriation to statutory surplus reserves		
Appropriation to discretionary surplus reserves		
Provision for general risk reserves		
Payment of ordinary share dividends		
Ordinary shares dividends converted into share capital		
Others	22,750,000.00	22,750,000.00
Balance at the end of the reporting period	2,989,416,040.60	2,613,298,611.89

5.37 Revenue and Cost of Sales**(a) Disclosure of revenue and cost of sales**

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Principal activities	3,088,448,904.11	2,838,230,711.93	2,637,209,445.08	2,335,217,023.00
Other activities	3,413,728.25	22,423.63	24,010,129.73	32,775,285.36
Total	3,091,862,632.36	2,838,253,135.56	2,661,219,574.81	2,367,992,308.36

(b) Disclosure of revenue and cost of sales by categories

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Entrusted construction projects	1,016,726,049.49	878,795,516.29	2,117,685,253.84	1,892,989,813.69
Land consolidation and development	629,129,971.20	524,274,976.00	510,321,471.13	433,368,580.04
Real estate sales	15,327,693.35	11,326,036.04	1,084,310.48	479,384.84
Asset rental revenue	20,096,785.97	19,858,740.75	23,445,909.54	31,300,190.47
Property management	37,440,311.67	35,150,363.20	8,118,409.63	8,379,244.43
Goods trade	1,369,549,051.51	1,368,502,558.90		

Items	2020		2019	
	Revenue	Costs of sales	Revenue	Costs of sales
Hotel management	3,512,117.15	322,520.75		
Others	80,652.02	22,423.63	564,220.19	1,475,094.89
Total	3,091,862,632.36	2,838,253,135.56	2,661,219,574.81	2,367,992,308.36

5.38 Taxes and Surcharges

Items	2020	2019
Urban maintenance and construction tax	265,670.01	1,712,083.48
Educational surcharge	189,760.73	1,218,552.93
Land value-added tax	4,691,429.87	356,297.36
Property tax	3,961,140.29	2,114,370.43
Urban land use tax	7,234,410.64	9,054,966.44
Stamp duty	328,660.45	1,051,398.11
Employment security fund for the disabled		164,638.16
Vehicle and vessel tax	30.88	
Total	16,671,102.87	15,672,306.91

5.39 Finance Costs

Items	2020	2019
Interest expenses	129,913,932.77	60,803,311.39
Less: Interest income	34,738,819.98	19,927,554.82
Net interest expenses	95,175,112.79	40,875,756.57
Foreign exchange losses	20,963,727.79	15,589,133.25
Less: Foreign exchange gains		5,630,381.00
Net foreign exchange losses	20,963,727.79	9,958,752.25
Bank charges	7,951,920.42	178,286.23
Financing advisory fees	4,277,163.79	7,645,014.41
Total	128,367,924.79	58,657,809.46

5.40 Other Income

Items	2020	2019	Related to assets /income
Subsidies for infrastructure maintenance	379,000,000.00	200,000,000.00	Related to income
Subsidies for Shantytown, Shijiamen Village		134,500,000.00	Related to income
Subsidies for Maochai Garden Demolition Project		43,862,092.00	Related to income
Subsidy for job stabilization	47,393.73		Related to income
Beautiful rural construction subsidy		351,767.82	Related to income
Expenses for eliminating four pests		136,800.00	Related to income

Items	2020	2019	Related to assets /income
New urban and rural buildings in Zhejiang Province replace subsidy with awards		100,000.00	Related to income
Total	379,047,393.73	378,950,659.82	

Instruction:

- a) According to the *Notice on Defining Relevant Financial Funds as Your Company's Appropriations* issued by the Huzhou Nantaihu New District Administrative Committee, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, received a subsidy of CNY230 million from the Huzhou Nantaihu New District Administrative Committee, which was included in the subsidy income.
- b) According to the *Notice on Allocating Funds for 2020* issued by the Finance Bureau of Huzhou Nantaihu New District, Huzhou Xisaishan Development and Construction Co., Ltd., a subsidiary of the Company, received a subsidy of CNY149 million from the Finance Bureau of Huzhou Nantaihu New District, which was included in the subsidy income.

5.41 Investment Income/(losses)

Items	2020	2019
Investment income from long-term equity investments under equity method	11,225,857.28	5,759,903.04
Investment income from available-for-sale financial assets during holding period	302,536.03	278,936.79
Investment income from disposal of available-for-sale financial assets	1,563,584.41	
Investment income from financial products		2,707,206.20
Total	13,091,977.72	8,746,046.03

5.42 Gains/(losses) from changes in fair values

Sources of gains on changes in fair value	2020	2019
Investment properties measured at fair value	64,723,155.48	17,044,443.32
Total	64,723,155.48	17,044,443.32

5.43 Impairment Loss of Assets

Items	2020	2019
Bad debt of receivables	2,674,572.28	-4,811,459.75
Impairment of available-for-sale financial assets		-3,500,000.00
Total	2,674,572.28	-8,311,459.75

5.42 Gains/ (losses) from Disposal of Assets

Items	2020	2019
Gains/(losses) from disposal of property, plant and		68,650.00

Items	2020	2019
equipment, construction in progress, productive biological assets and intangible assets not classified as held for sale		
Including: property, plant and equipment		68,650.00
Total		68,650.00

5.45 Non-operating Income**(a) Details of non-operating income**

Items	2020	2019
Government grants irrelevant to daily operation activities	1,122.20	
Penalty and confiscatory income	155,961.00	7,150.00
Insurance indemnity	22,924.26	
Others	30,931.92	396,692.82
Waste revenue	1,118,561.77	
Total	1,329,501.15	403,842.82

5.46 Non-operating Expenses

Items	2020	2019
Loss from damage or scrappage of non-current assets		93,369.65
Donations	10,000.00	38,500.00
Fines and penalty	5,513,502.32	6,854.71
Others	2,082,314.09	273,233.90
Total	7,605,816.41	411,958.26

5.47 Income Tax Expenses

Items	2020	2019
Current tax expenses	10,875,174.56	43,175,883.83
Deferred tax expenses	16,860,281.41	-5,811,908.44
Total	27,735,455.97	37,363,975.39

5.48 Supplementary Information to the Statement of Cash Flows**(a) Supplementary information to the statement of cash flows**

Supplementary information	2020	2019
(i) Adjustments of net profit to cash flows from operating activities:		
Net profit	398,450,537.93	506,357,022.09
Add: Provisions for impairment of assets	-2,674,572.28	8,311,459.75
Depreciation of property, plant and equipment, investment properties, oil and gas asset and productive biological assets	28,505,382.33	2,918,545.98
Amortization of intangible assets	662,213.79	4,132,807.17

Supplementary information	2020	2019
Amortization of long-term deferred expenses	9,029,324.90	28,667,622.91
Losses /(gains) on disposal of property, plant and equipment, intangible assets and other long-term assets		-68,650.00
Losses /(gains) on scrapping of property, plant and equipment		93,009.65
Losses /(gains) on changes in fair value	-64,723,155.48	-17,044,443.32
Finance costs /(income) recognized in profit or loss	156,569,049.20	65,666,769.37
Investment losses /(income) recognized in profit or loss	-13,091,977.72	-8,746,046.03
Decreases /(increases) in deferred tax assets	679,492.55	-10,073,019.27
Increases /(decreases) in deferred tax liabilities	16,180,788.86	4,261,110.83
Decreases /(increases) in inventories	-4,190,110,819.77	-2,387,276,011.56
Decreases /(increases) in operating receivables	-4,339,856,965.35	-2,159,794,616.07
Increases /(decreases) in operating payables	5,715,164,383.05	251,796,673.18
Net cash flows from operating activities	-2,285,216,317.99	-3,712,407,921.57
(ii) Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Property, plant and equipment acquired under finance leases		
(iii) Net increases in cash and cash equivalents:		
Cash at the end of the reporting period	2,020,580,774.91	1,609,463,318.44
Less: Cash at the beginning of the reporting period	1,609,463,318.44	1,554,284,804.11
Add: Cash equivalents at the end of the reporting period		
Less: Cash equivalents at the beginning of the reporting period		
Net increase in cash and cash equivalents	411,117,456.47	55,178,514.33

(b) The components of cash and cash equivalents

Items	31 Dec 2020	31 Dec 2019
(i) Cash		
Including: Cash on hand	12,359.31	4,442.66
Cash in bank available for immediate use	2,020,568,415.60	1,609,458,875.78
Other monetary funds available for immediate use		
Deposit in the central banks available for immediate use		
Deposits in other banks		
Interbank lending		
(ii) Cash equivalents		

Items	31 Dec 2020	31 Dec 2019
Including: Bond investments maturing within three months		
(iii) Cash and cash equivalents at the end of the reporting period	2,020,580,774.91	1,609,463,318.44

5.49 Restricted Assets

Items	Carrying amount at 31 Dec 2020	Reason
Cash and cash equivalents	2,894,663,030.00	Loan pledge, loan margin, term deposit slip, structural deposit
Accounts receivable	50,000,000.00	Pledge loans
Notes receivable	19,000,000.00	Pledge
Inventories	753,959,401.18	Mortgage loans
Investment properties	1,247,219,413.57	Mortgage loans
Intangible assets	10,408,234.38	Mortgage loans
Long-term equity investments	200,000,000.00	Pledge of shares of subsidiaries
Total	5,175,250,079.13	

5.50 Foreign Currency Monetary Items**(a) Foreign currency monetary items**

Items	Foreign currency balance at 31 Dec 2020	Exchange rate	CNY balance at 31 Dec 2020
Cash and cash equivalents	87,209,783.40	6.5249	569,035,115.71
Including: USD	87,209,783.40	6.5249	569,035,115.71
Bonds payable	198,987,500.00	6.5249	1,298,373,538.75
Including: USD	198,987,500.00	6.5249	1,298,373,538.75

(b) Details of overseas operating entities

(b.1) In December 2016, the Company invested USD1.00 and established Huantaihu International Investment Co., Ltd. with 100% shareholding. The registered address of Huantaihu International Investment Co., Ltd. is British Virgin Islands, and the main principal place of business is Hong Kong, so this company uses USD as its base currency.

(b.2) In December 2016, the Company invested USD1.00 and established Rongyuan International Investment Co., Ltd. with 100% shareholding. The registered address and main principal place of business of Rongyuan International Investment Co., Ltd. is Hong Kong, so this company uses USD as its base currency.

5.51 Government Grants**(a) Government grants related to assets**

There is no such item.

(b) Government grants related to income

Items	Amount	Items presented in the statement of financial position	Recognized in current profit or loss or directly as deduct of related cost	Presented items that recognized in current profit or loss or directly as deduct of related cost
Subsidies for infrastructure maintenance	379,000,000.00	Cash and cash equivalents	379,000,000.00	Other income
Subsidy for job stabilization	47,393.73	Cash and cash equivalents	47,393.73	Other income
Total	379,047,393.73		379,047,393.73	

(c) Return of government grants

There is no such item.

6. CHANGES IN THE SCOPE OF CONSOLIDATION

6.1 Business Combination not Under Common control

There is no such item.

6.2 Business Combination under Common Control

There is no such item.

6.3 Disposal of Subsidiaries

There is no such item.

6.4 Other Reasons of Changes in the Scope of Consolidation

a) Huzhou Ruijing Trading Co., Ltd.

On 21 January 2020, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, and Zhejiang Ruiying Information Technology Co., Ltd. jointly invested CNY100 million to establish Huzhou Ruijing Trading Co., Ltd., holding 70% of the shares. As of 31 December 2020, the actual investment was CNY5 million.

b) Huzhou Bonded Logistics Center International Trade Co., Ltd.

On 18 February 2020, Huzhou Bonded Logistics Center Co., Ltd., the grandson company of the Company, invested CNY20 million to establish Huzhou Bonded Logistics Center International Trade Co., Ltd., holding 100% of the shares. As of 31 December 2020, no actual investment has been made.

c) Huzhou Jinshi Equity Investment Co., Ltd.

On 3 April 2020, Zhejiang Huzhou Huantaihu Group Co., Ltd., a subsidiary of the Company, invested CNY30 million to establish Huzhou Jinshi Equity Investment Co., Ltd., with 100% shares. As of 31 December 2020, no actual investment was made.

d) Jinkai catering (Huzhou) Co., Ltd.

On 16 June 2020, Huzhou Jinkai Property Management Co., Ltd., the grandson company of the Company, invested CNY500 thousand to establish Jinkai catering (Huzhou) Co., Ltd., holding 100% of the shares. As of 31 December 2020, no actual investment has been made.

e) Huzhou Jingkai bonded International Trade Co., Ltd.

On 31 August 2020, Huzhou Jingkai International Logistics Park Development Co., Ltd., the grandson company of the Company, invested CNY10 million to establish Huzhou Jingkai bonded International Trade Co., Ltd., holding 100% of the shares. As of 31 December 2020, the actual investment was CNY2 million.

f) Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)

According to the documents of the Huzhou Nantaihu New District Administrative Committee, all the relevant matters in the original "Partnership property share-holding agreement" are terminated, and it is clear that the originally held equity is transferred to Huzhou Jinfu Equity Investment Fund Management Co., Ltd., the grandson company of the Company, free of charge, and the interests of the partnership are enjoyed by it. According to the number of members appointed in the investment decision Committee, the Company can control the investment of the partnership fund project.

g) Huzhou Saihan Equity Investment Partnership (Limited Partnership)

According to the documents of the Huzhou Nantaihu New District Administrative Committee, all the relevant matters in the original "Partnership property share-holding agreement" are terminated, and it is clear that the originally held equity is transferred to Huzhou Jinfu Equity Investment Fund Management Co., Ltd., the grandson company of the Company, free of charge, and the interests of the partnership are enjoyed by it. According to the number of members appointed in the investment decision Committee, the Company can control the investment of the partnership fund project.

h) Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)

On 24 December 2020, Huzhou Jinshi Equity Investment Co., Ltd. and Huzhou Jinfu Equity Investment Fund Management Co., Ltd., the grandson company of the Company, jointly established Huzhou Jinsheng Equity Investment partnership (Limited Partnership) with Huzhou Industrial Fund Investment Co., Ltd. with a capital contribution of CNY10 million and CNY4.1 million respectively, holding 51.0044% of the shares. As of 31 December 2020, no actual capital contribution has been made. Huzhou Jinsheng Equity Investment partnership (Limited Partnership) has no accounting treatment in the current period.

i) Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd.

On 19 October 2020, Zhejiang Huzhou huantaihu Group Co., Ltd., a subsidiary of the Company, invested CNY300 million to establish Huzhou Phoenix Bay Green intelligent manufacturing development and Construction Co., Ltd., holding 100.00% of the shares. As of 31 December 2020, no actual investment has been made. Huzhou Phoenix Bay Green intelligent manufacturing development and Construction Co., Ltd. has no accounting treatment in the current period

j) Huzhou Ruizhong Trade Co., Ltd.

On 14 May 2020, Huzhou xisaishan Development and Construction Co., Ltd., a subsidiary of the Company and Zhejiang Ruiying Information Technology Co., Ltd., jointly invested CNY100 million to establish Huzhou Ruizhong Trading Co., Ltd., with 70% of its shares. As of 31 December 2020, the actual investment was CNY5 million.

k) Huzhou Jingqiao Trade Co., Ltd.

On 14 May 2020, Huzhou Chengxi New Rural Construction Investment Co., Ltd. and Huzhou Lvqiao Industrial Investment Co., Ltd., the grandson company of the Company, jointly invested CNY2 billion to establish Huzhou Jingqiao Trade Co., Ltd., holding 51% of the shares. As of 31 December 2020, the actual investment was CNY1.02 billion.

7. INTERESTS IN OTHER ENTITIES**7.1 Interests in Subsidiaries**

(a) Constitution of enterprise group

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou	Huzhou	Infrastructure development and construction	89.50		Transfer
Huzhou Tiegongshui Logistics Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Development of Logistics Park		90.9091	Set up
Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	Huzhou	Huzhou	equity investment		100.00	Set up
Huzhou Saiyuan Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Business services		87.6476	Transfer
Huzhou Saihan Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Business services		64.8396	Transfer
Rongyuan International Investment Co., Ltd.	Hongkong	Hongkong	Investment activity		100.00	Set up

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Huzhou Ronghua Electronics Information Industry Zone Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of Electronic Information Industrial Park		100.00	Set up
Huzhou Rongyuan Technology City Construction Development Co., Ltd.	Huzhou	Huzhou	Construction and development of science and Technology City Project		100.00	Set up
Huantaihu International Co., Ltd.	Hongkong	British Virgin Islands	Investment activity		100.00	Set up
Huzhou Bonded Logistics Center Co., Ltd.	Huzhou	Huzhou	Warehousing services		100.00	Set up
Huzhou Bonded Logistics Center International Trade Co., Ltd.	Huzhou	Huzhou	Transportation, storage and post		100.00	Set up
Huzhou Jingkai Property Management Co., Ltd.	Huzhou	Huzhou	estate management		100.00	Set up
Jin Kai Catering Service (Huzhou) Co., Ltd.	Huzhou	Huzhou	Catering		100.00	Set up
Huzhou Huanhu Yijia Pension Service Co., Ltd.	Huzhou	Huzhou	Management of pension institutions		65.00	Set up
Huzhou Jingkai Hotel Management Co., Ltd.	Huzhou	Huzhou	Hotel management		100.00	Set up
Huzhou Jingkai International Logistics Park Development Co., Ltd.	Huzhou	Huzhou	physical distribution management		100.00	Business combination under not common control
Huzhou Jingkai Bonded International Trade Co., Ltd.	Huzhou	Huzhou	Handling and storage		100.00	Set up
Huzhou Ruijing Trading Co., Ltd.	Huzhou	Huzhou	Wholesale and retail		70.00	Set up
Huzhou Jinshi Equity Investment Co., Ltd.	Huzhou	Huzhou	Business services		100.00	Set up

Name of subsidiary	Principal place of business	Registered Address	Nature of business	Percentage of equity interests by the Company (%)		Ways to acquire subsidiary
				Direct	Indirect	
Huzhou Jinsheng Equity Investment Partnership (Limited Partnership)	Huzhou	Huzhou	Equity investment		51.0044	Set up
Huzhou Phoenix Bay Green Intelligent Manufacturing Development and Construction Co., Ltd.	Huzhou	Huzhou	Housing construction		100.00	Set up
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou	Huzhou	Infrastructure development and construction	97.33		Transfer
Huzhou Chengxi New Rural Construction Co., Ltd.	Huzhou	Huzhou	Investment in new rural construction		100.00	Set up
Huzhou Jingqiao Trading Co., Ltd.	Huzhou	Huzhou	Trade		51.00	Set up
Huzhou Nantaihu Kechuang Construction and Development Co., Ltd.	Huzhou	Huzhou	Urban infrastructure construction		100.00	Set up
Huzhou Ruizhong Trade Co., Ltd.	Huzhou	Huzhou	Trade		70.00	Set up

- (i) Illustration for the difference between percentage of equity interests and percentage of voting rights: There is no such item.
- (ii) Basis for control exists when voting rights in the investees is 50% or lower, and no control exists when voting rights in the investees is above 50%: There is no such item.
- (iii) Basis for control of those significant structured entities within the scope of consolidation: There is no such item.
- (iv) Basis for defining the Company as an agent or a principal: There is no such item.

7.2 Transactions which Resulted in Change of Equity Interests in the Subsidiary but still Control the Subsidiary

There is no such item.

7.3 Interests in Joint Arrangements or Associates

- (a) Material joint ventures or associates

Company name	Principal place of business	Registered address	Nature of business	Percentage of equity interests by the Company (%)		Measurement methods
				Direct	Indirect	
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Huzhou	Huzhou	Nantaihu Investment Management		21.71	Equity method

- (i) Note to the differences between the proportion of equity interests and the voting rights in joint ventures or associates: There is no such item.
- (ii) Basis for having significant influence over the investees with voting rights of less than 20%, and having no significant influence over the investee with voting rights of 20% or above:
- The Company holds 40.00% equity of Huzhou Gaoxin Integrated Circuit Co., Ltd. as of 31 December 2020, it has invested CNY23.7 million, and has made full provision for impairment. As it does not participate in the operation and management, it has no significant impact on it and is included in the financial assets available for sale.
 - The Company holds 100.00% equity of Huzhou Xincheng Industry and Trade Co., Ltd. as of 31 December 2020, it has invested CNY800 thousand, and has made full provision for impairment. As it does not participate in the operation and management, it has no significant impact on it and is included in the available for sale financial assets.
 - The Company holds 20.00% equity of Huzhou Xihu Environmental Protection Technology Co., Ltd. and has invested CNY20 million as of 31 December 2020. As it does not participate in the operation and management, it has no significant impact on it and is included in the available for sale financial assets.
 - The Company holds 100.00% equity of Huzhou Huantaihu Zhongzhi yongxingda Investment Partnership (Limited Partnership). as of 31 December 2020, it has invested CNY22 million, and has made full provision for impairment. As it enjoys fixed income and not participate in the operation and management, it has no significant impact on it and is included in the available for sale financial assets.
- (iii) Main financial information of important joint ventures: there is no such item.
- (iv) Main financial information of important joint ventures

Items	2020/31 Dec 2020	2019/31 Dec 2019
	Huzhou Nantaihu Construction Investment Management Co., Ltd.	
Current asset	366,184,677.60	369,393,743.68

Items	2020/31 Dec 2020	2019/31 Dec 2019
	Huzhou Nantaihu Construction Investment Management Co., Ltd.	
Non-current asset	1,430,670,231.36	1,430,413,569.71
Total	1,796,854,908.96	1,799,807,313.39
Current liability	112,724,862.62	167,996,189.99
Non-current liability		
Total	112,724,862.62	167,996,189.99
Non-controlling interest		
Total owner's equity attributable to parent company	1,684,130,046.34	1,631,811,123.40
Net asset calculated based on equity share	365,624,633.06	354,266,194.89
Adjustment events		
——goodwill		
——unrealized profit of intragroup trading		
——others	23,830,459.30	23,828,217.06
Book value of equity investment in joint venture	389,455,092.36	378,094,411.95
Revenue		12,572,815.52
Net profit	5,494,725.94	3,443,968.49
Dividends received from associated enterprises in the current period		

7.4 Important Joint Operations

There is no such item.

8. FAIR VALUE DISCLOSURES

8.1 Assets and Liabilities Measured at Fair Value

Items	Fair value at 31 Dec 2020			
	Level 1	Level 2	Level 3	Total
I. Recurring fair value measurements				
(i) Financial assets at fair value through profit or loss				
i) Held-for-trading financial assets				
● Debt instruments				
● Equity instruments				
● Derivatives				
ii) Financial assets designated as at fair value through profit or loss				
● Debt instruments				

Items	Fair value at 31 Dec 2020			
	Level 1	Level 2	Level 3	Total
● Equity instruments				
(ii) Available-for-sale financial assets				
i) Debt instruments				
ii) Equity instruments				
iii) Others				
(iii) Investment properties			2,100,033,304.99	2,100,033,304.99
i) Land use right held to earn rentals				
ii) Buildings held to earn rentals			2,100,033,304.99	2,100,033,304.99
iii) Land use right held for transfer after capital appreciation				
(iv) Biological assets				
i) Consumptive biological assets				
ii) Productive biological assets				
Total assets measured at fair value on a recurring basis				
(v) Held-for-trading financial liabilities				
i) Held-for-trading bonds				
ii) Derivatives				
iii) Others				
(vi) Financial liabilities designated as at fair value through profit or loss				
Total liabilities measured at fair value on a recurring basis				
Nonrecurring fair value measurements				
II. Assets held for sale				
Total assets measured at fair value on a nonrecurring basis				
Total liabilities measured at fair value on a nonrecurring basis				

8.2 Basis for the Quoted Prices in Active Markets for Level 1 of the Fair Value Hierarchy.

There is no such item.

8.3 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 2 of the Fair Value Hierarchy.

There is no such item.

8.4 Valuation Technique(s), Qualitative Information and Quantitative Information about the Significant Inputs Used in Level 3 of the Fair Value Hierarchy.

With valuation techniques, qualitative and quantitative information about the significant inputs used for fair value measurement in level 3 on a recurring or nonrecurring basis, investment properties are commercial buildings held to earn rentals. The Company could obtain the transaction cases that are comparable to the valuation objects from the real estate market. Therefore, market comparison approach is adopted for valuation.

At the end of reporting period, the Company's investment properties are from Huantaihu Group Company, Rongyuan Technology City Company and Nantaihu Kejian Company. Huantaihu Group Company's closing balance of investment properties is evaluated by Zhongshui Pingbaozi [2021] No.020230 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Asset Evaluation Co., Ltd. Rongyuan Technology City Company's closing balance of investment properties is evaluated by Zhongshui Pingbaozi [2021] No.020230 Investment Properties Fair Value Asset Evaluation Report issued by Zhongshui Asset Evaluation Co., Ltd. Nantaihu Kejian Company's closing balance of investment properties is evaluated by Pengxin Zigubaozi [2021] No.028 Investment Properties Fair Value Asset Evaluation Report issued by Shenzhen Pengxin Asset Appraisal Land and Real Estate Evaluation Co., Ltd.

8.5 Reconciliations from the Opening Balances to the Closing Balances and the Sensitivities of Significant Unobservable Inputs for Recurring Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy

There is no such item.

8.6 Amounts and Reasons of Any Transfers into or out of Each Level of the Fair Value Hierarchy and the Reporting Entity's Policy for Determining when Transfers between Levels are Deemed to have Occurred for Recurring Fair Value Measurements.

There is no such item.

8.7 Change in the Valuation Technique and the Reason(s) for Such Changes

There is no such item.

8.8 Financial Assets or Financial Liabilities which are not Measured at Fair Value

There is no such item.

8.9 others

There is no such item.

9. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

9.1 Basic Information of Parent Company

Name of the parent	Registered address	Percentage of equity interests in the Company (%)	Voting rights in the Company (%)
State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government	Huzhou	100.00	100.00

Ultimate controlling party of the Company: State-owned Assets Supervision and Administration Commission Office of Huzhou Municipal People's Government.

9.2 Basic Information of Subsidiaries

Details of the subsidiaries please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

9.3 Joint Ventures and Associates of the Company

(a) General information of significant joint ventures and associates

Details of significant joint ventures and associates please refer to *Notes 7 INTERESTS IN OTHER ENTITIES*.

(b) Details of other joint ventures or associates trading with the Company during the reporting period, or with outstanding balances arising in prior periods

There is no such item.

9.4 Other Related Parties of the Company

Name	Relationship with the Company
Huzhou Nantaihu Construction Investment Management Co., Ltd.	Associates

9.5 Related Party Transactions

(a) Purchases or sales of goods, rendering or receiving of services

There is no such item.

(b) Entrustment/Contracting

There is no such item.

(c) Leases

There is no such item.

(d) Guarantees

Guarantors	Guarantee	Amount ('000)	Effective date	Expiry date	Whether the guarantee has been fulfilled
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	160,000.00	6 Mar 2020	30 Dec 2022	Not yet

Guarantors	Guarantee	Amount ('000)	Effective date	Expiry date	Whether the guarantee has been fulfilled
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Tourism Development Co., Ltd.	180,000.00	22 May 2020	26 May 2021	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	200,000.00	30 Dec 2020	30 Jul 2021	Not yet
Huzhou Economic Development Group Co., Ltd.	Zhejiang Nantaihu Tourism Development Co., Ltd.	200,000.00	19 Jan 2020	18 Jan 2023	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	350,000.00	15 May 2019	15 May 2024	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd., Huzhou Xisaishan Development and Construction Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	180,000.00	9 Dec 2020	9 Dec 2021	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	75,000.00	20 Aug 2019	20 Aug 2021	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Zhejiang Nantaihu Holding Group Co., Ltd.	150,000.00	17 Mar 2020	16 Mar 2022	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	37,400.00	27 Mar 2019	19 Jan 2046	Not yet
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Huwan Expressway Co., Ltd.	112,200.00	6 Feb 2017	19 Jan 2046	Not yet

(e) Borrowings and lendings

There is no such item.

(f) Transfers of assets and debt restructuring

There is no such item.

(g) Key management personnel compensation

There is no such item.

(h) Other related party transactions

There is no such item.

9.6 Receivables and Payables with Related Parties

(a) Receivables

There is no such item.

(b) Payables

Items	Related parties	31 Dec 2020	31 Dec 2019
Other payables	Huzhou Nantaihu Construction Investment Management Co., Ltd.	380,000,000.00	380,000,000.00

9.7 Commitments with Related Parties

There is no such item.

9.8 Others

There is no such item.

10. COMMITMENTS AND CONTINGENCIES

10.1 Significant Commitments

As at 31 December 2020 the Company has no significant commitments need to be disclosed.

10.2 Contingencies

(a) Contingent liabilities arising from outstanding litigations and the corresponding financial effects

There is no such item.

(b) Contingent liabilities resulting from debt guarantees to other entities and the corresponding financial effects

Guarantor	Guarantee	Amount ('000)	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
Huzhou Economic Development Group Co., Ltd.	Huzhou Industrial Investment and Development Group Co., Ltd.	400,000.00	30 Apr 2020	29 Apr 2022	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	89,000.00	28 Jan 2019	27 Dec 2025	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	50,000.00	9 Dec 2020	8 Dec 2021	Not yet
Zhejiang Huzhou Huantaihu Group Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	10,000.00	25 Mar 2020	24 Mar 2021	Not yet

Guarantor	Guarantee	Amount ('000)	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
Huzhou Xisaishan Development and Construction Co., Ltd.	Huzhou Xincheng Public Engineering Co., Ltd.	75,500.00	5 Mar 2020	4 Mar 2021	Not yet

(c) Other contingent liabilities and the corresponding financial effects

There is no such item.

10.3 Others

There is no such item.

11. EVENTS AFTER THE REPORTING PERIOD

11.1 Significant Non-adjusting Events

There is no such item.

11.2 Profit Distribution

There is no such item.

11.3 Sales Returns

There is no such item.

11.4 Others

There is no such item.

12. OTHER SIGNIFICANT MATTERS

12.1 Corrections of Prior Period Accounting Errors

(a) Retrospective restatement method

(b) Prospective application method

There is no such item.

12.2 Debt Restructuring

There is no such item.

12.3 Assets Exchange

(a) Non-monetary assets exchange

There is no such item.

(b) Other assets exchange

There is no such item.

12.4 Annuity Plan

There is no such item.

12.5 Discontinued Operations

There is no such item.

13. NOTES TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS OF

THE PARENT COMPANY**13.1 Other Receivables****(a) Other receivables by category**

Items	31 Dec 2020	31 Dec 2019
Interest receivable	33,681,458.33	
Dividend receivable		
Other receivables	3,600,928,889.23	1,188,735,697.74
Total	3,634,610,347.56	1,188,735,697.74

(b) Interest receivable**(b.1) Interest receivable by category**

Items	31 Dec 2020	31 Dec 2019
Time deposits	33,681,458.33	
Total	33,681,458.33	

(b.2) Overdue interest

There is no such item.

(c) Dividends receivable

There is no such item.

(d) Other receivables**(d.1) Disclosure of other receivables by category**

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	3,600,930,629.04	100.00	1,739.81	0.00	3,600,928,889.23
Portfolio 1: Related parties and relevant government departments	3,600,895,832.88	100.00			3,600,895,832.88
Portfolio 2: Aging analysis	34,796.16	0.00	1,739.81	5.00	33,056.35

Items	31 Dec 2020				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	3,600,930,629.04	100.00	1,739.81	0.00	3,600,928,889.23

(Continued)

Items	31 Dec 2019				
	Other receivables		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with individually significant balance and provision for bad debt recognized individually					
Other receivables with bad debt provision recognized collectively by similar credit risk characteristics	1,188,735,697.74	100.00			1,188,735,697.74
Portfolio 1: Related parties and relevant government departments	1,188,735,697.74	100.00			1,188,735,697.74
Portfolio 2: Aging analysis					
Other receivables with individually insignificant balance but provision for bad debt recognized individually					
Total	1,188,735,697.74	100.00			1,188,735,697.74

(d.1.1) Other receivables with individually significant balance and provision for bad debt recognized individually: There is no such item.

(d.1.2) In portfolio 1, the details of other receivables are as follows:

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Chengxi New Rural Construction Investment Co., Ltd.	890,214,350.60	24.72	

Entity name	Balance at 31 Dec 2020	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Zhejiang Huzhou Huantaihu Group Co., Ltd.	723,461,008.81	20.09	
Huzhou Xinyuan Development and Construction Co., Ltd.	643,110,487.09	17.86	
Kangshan Sub-district Office of Huzhou Municipal People's Government	520,600,000.00	14.46	
Huzhou Xincheng Public Engineering Co., Ltd.	354,698,115.95	9.85	
Huzhou Nantaihu New District Management Committee	150,000,000.00	4.17	
Huzhou Rongyuan Technology City Construction and Development Co., Ltd.	109,408,838.07	3.04	
Huzhou Jinfu Equity Investment Fund Management Co., Ltd.	87,527,070.44	2.43	
Huzhou Xisaishan Development and Construction Co., Ltd.	64,140,264.18	1.78	
Huzhou Fuyuan Construction Co., Ltd.	54,150,697.74	1.50	
Huzhou Nantaihu Scientific Innovation Construction and Development Co., Ltd.	3,400,000.00	0.09	
Longxi Sub-district Office of Huzhou Development Zone	185,000.00	0.01	
Total	3,600,895,832.88	100.00	

(d.1.3) In portfolio 2, other receivables with bad debt provision recognized collectively by aging analysis method:

Aging	31 Dec 2020		
	Other receivables	Provision for bad debt	Provision ratio (%)
Within 1 year (including 1 year)	34,796.16	1,739.81	5.00
1 to 2 years			
2 to 3 years			
Over 3 years			
Total	34,796.16	1,739.81	5.00

(d.1.4) Other receivables that are individually insignificant but with bad debt provided on an individual basis: There is no such item.

(d.2) Provision, recovery or reversal of bad debt

The provision for bad debt during the reporting period amounted to CNY1,739.81.

(d.3) Other receivables written-off during the reporting period

There is no such item.

(d.4) Top five closing balances by entity

Entity name	Balance at 31 Dec 2020	Aging	Proportion of the balance to the total other receivables (%)	Provision for bad debt
Huzhou Chengxi New Rural Construction Investment Co., Ltd.	890,214,350.60	Within 1 year (including 1 year)	24.72	
Zhejiang Huzhou Huantaihu Group Co., Ltd.	723,461,008.81	Within 1 year (including 1 year)	20.09	
Huzhou Xinyuan Development and Construction Co., Ltd.	643,110,487.09	Within 1 year (including 1 year)	17.86	
People's Government of Huzhou, Kangshan Street Office	520,600,000.00	1 to 2 years, 2 to 3 years, Over 3 years	14.46	
Huzhou Xincheng Public Engineering Co., Ltd.	354,698,115.95	Within 1 year (including 1 year)	9.85	
Total	3,132,083,962.45		86.98	

13.2 Long-term Equity Investments

Items	31 Dec 2020			31 Dec 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	19,393,466,368.50		19,393,466,368.50	16,768,689,743.28		16,768,689,743.28
Joint ventures and associates						
Total	19,393,466,368.50		19,393,466,368.50	16,768,689,743.28		16,768,689,743.28

(a) Investments in subsidiaries

Investees	31 Dec 2019	Increase	Decrease	31 Dec 2020	Provision for impairment during the reporting period	Provision for impairment at 31 Dec 2020
Zhejiang Huzhou Huantaihu Group Co., Ltd.	8,545,906,880.67	2,624,776,625.22		11,170,683,505.89		
Huzhou Xisaishan Development and Construction Co., Ltd.	8,222,782,862.61			8,222,782,862.61		
Total	16,768,689,743.28	2,624,776,625.22		19,393,466,368.50		

(b) Investments in joint ventures and associates

There is no such item.



Name of the Company: Huzhou Economic Development Group Co., Ltd.

Legal Representative:



Chief Financial Officer:



Finance Manager:



Date: 29 April 2021

ISSUER

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