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*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 notes ("**Notes**") to be issued under the Programme 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 other jurisdiction, and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.*

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Notice to Hong Kong investors: The Issuers and the Guarantor confirm that the Notes are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuers and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Update of the U.S.$2,000,000,000 Medium Term Note Programme

四川发展(控股)有限责任公司
Sichuan Development Holding Co., Ltd

SICHUAN DEVELOPMENT HOLDING CO., LTD.
(四川發展（控股）有限責任公司)
(a company incorporated with limited liability in the People's Republic of China)
(as the Issuer of the Direct Issuance Notes)

YIELDKING INVESTMENT LIMITED
(怡錦投資有限公司)
(a company incorporated with limited liability in the British Virgin Islands)
(as the Issuer of the KW Notes, together with the Issuer of the Director Issuance Notes, the "**Issuers**")

the KW Note will be unconditionally and irrevocably guaranteed by
SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
(四川發展國際控股有限公司)
(a company incorporated with limited liability in Hong Kong)
(the "**Guarantor**")

and
with the benefit of a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking provided by
SICHUAN DEVELOPMENT HOLDING CO., LTD
(四川發展（控股）有限責任公司)
(a company incorporated with limited liability in the People's Republic of China)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 8 February 2021 (the "**Offering Circular**") appended hereto in relation to U.S.$2,000,000,000 Medium Term Note Programme (the "**Programme**"). As disclosed in the Offering Circular, the notes (the "**Notes**") to be issued under the Programme will be intended for

purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and will be listed on the Hong Kong Stock Exchange on that basis.

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

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

9 February 2021

As at the date of this announcement, the directors of Sichuan Development Holding Co, Ltd. Are Li Wenqing, Zhang Yigang, Liu Jia, Guo Yong, Cao Jianqin and Lu Chibin.

As at the date of this announcement, the directors of Yieldking Investment Limited are Xiong Huiran and Wang Lu.

As at the date of this announcement, the directors of Sichuan Development International Holding Company Limited are Xiong Huiran, Wang Lu and Wang Weiqiang.

Appendix 1 – Offering Circular

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

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Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Sichuan Development Holding Co., Ltd (四川發展(控股)有限責任公司)(the "**Company**"), Yieldking Investment Limited (怡錦投資有限公司)(the "**KW Note Issuer**"), Sichuan Development International Holding Company Limited (四川發展國際控股有限公司)(formerly known as Yieldsun Investment Limited (怡升投資有限公司)) (the "**Guarantor**"), Standard Chartered Bank, CMBC Securities Company Limited (each an "**Arranger**" and together, the "**Arrangers**") and the Dealers (as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, in the case of a Regulation S Category 2 offering, neither you nor any customer you represent is a U.S. person and that you consent to delivery of such offering circular by electronic transmission, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") in compliance with Regulation S thereunder. You are reminded that the information in the Offering Circular is not complete and may be changed.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the KW Note Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents (each as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the KW Note Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of such alteration or change to the Offering Circular distributed to you in electronic format or any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the KW Note Issuer, the Guarantor, the Company, the Arrangers and the Dealers.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the KW Note Issuer, the Guarantor, the Company, the Arrangers or the Dealers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act).

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 NOTES AND THE GUARANTEE (TOGETHER, THE "**SECURITIES**") DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), 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. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE OF REGULATION S UNDER THE SECURITIES ACT.

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YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSONS OR TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED 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.

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OFFERING CIRCULAR

U.S.$2,000,000,000
Medium Term Note Programme

SICHUAN DEVELOPMENT HOLDING CO., LTD.
（四川發展（控股）有限責任公司）

(a company incorporated with limited liability in the People's Republic of China)
(as the Issuer of the Direct Issuance Notes)
or

YIELDKING INVESTMENT LIMITED
（怡錦投資有限公司）

(a company incorporated with limited liability in the British Virgin Islands)
(as the Issuer of the KW Notes)
the KW Notes will be unconditionally and irrevocably guaranteed by

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
（四川發展國際控股有限公司）

(a company incorporated with limited liability in Hong Kong)
and
with the benefit of a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking provided by

SICHUAN DEVELOPMENT HOLDING CO., LTD.
（四川發展（控股）有限責任公司）

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

Under the U.S.$2,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), (1) Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）(the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Direct Issuance Notes**") and (2) Yieldking Investment Limited（怡錦投資有限公司）(the "**KW Note Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes unconditionally and irrevocably guaranteed (the "**Guarantee**") by Sichuan Development International Holding Company Limited（四川發展國際控股有限公司）(the "**Guarantor**") (the "**KW Notes**", together with the Direct Issuance Notes, the "**Notes**"). The KW Note Issuer is an indirect wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of the Guarantor which is in turn a direct wholly-owned subsidiary of the Company. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

The KW Note Issuer, the Guarantor and the Company entered into a Keepwell Deed on 29 January 2018 with Bank of Communications Trustee Limited (the "**Trustee**") as trustee of the KW Notes (the "**Keepwell Deed**") as further described in "*Description of the Keepwell Deed*". The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the KW Note Issuer under the KW Notes or of the Guarantor under the Guarantee and will only be applicable to the KW Notes. The KW Note Issuer, the Guarantor and the Company entered into a deed of equity interest purchase undertaking on 29 January 2018 with the Trustee as trustee of the KW Notes (the "**Deed of Equity Interest Purchase Undertaking**") as further described in "*Description of the Deed of Equity Interest Purchase Undertaking*". The Deed of Equity Interest Purchase Undertaking does not constitute a guarantee by the Company of the obligations of the KW Note Issuer under the KW Notes or of the Guarantor under the Guarantee and will only be applicable to the KW Notes.

Neither the Keepwell Deed nor the Deed of Equity Interest Purchase Undertaking constitute a direct or indirect guarantee of the KW Notes by the Company. Pursuant to the terms of the Keepwell Deed, the Company has undertaken to, make sufficient funds available to the KW Note Issuer and the Guarantor and/or undertake certain specific actions rather than assume payment obligations as in the case of a guarantee. Pursuant to the terms of the Deed of Equity Interest Purchase Undertaking, the Company has undertaken to, subject to obtaining all regulatory approvals, purchase the equity interest held by the Guarantor and/or the KW Note Issuer or the wholly-owned subsidiaries of the Guarantor and the KW Note Issuer on the occurrence of a Triggering Event as defined in the Deed of Equity Interest Purchase Undertaking. Even if the Company intends to perform its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, depending on the manner in which the Company arranges for sufficient funds to meet the payment obligations of the Issuer under the KW Notes or the Guarantor under the Guarantee of the KW Notes or to purchase the equity interest held by the Guarantor and/or the KW Note Issuer or the wholly-owned subsidiaries of the Guarantor and the KW Note Issuer, such performance may be subject to obtaining prior consent or approvals from relevant governmental authorities and internal approvals from its board of directors and/or shareholders. Although the Company is required to use its commercially reasonable endeavours to obtain any required consents and approvals in order to fulfil its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, there is no assurance that such consents or approvals will be obtained in a timely manner or at all. There are also additional risks relating to whether the obligations of a keepwell provider under a keepwell deed and/or the obligations of a provider of a deed of equity interest purchase undertaking under such deed of equity interest purchase undertaking will be recognised in bankruptcy procedures of the keepwell provider/provider of such deed of equity interest purchase undertaking in the PRC as the relevant judicial practice appears to still be evolving. See "*Risk Factors – Neither the Keepwell Deed nor the Deed of Equity Interest Purchase Undertaking is a guarantee of the payment obligations of the Issuer and the Guarantor under the KW Notes and performance by the Company of its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking is subject to the approvals of the PRC authorities. The relevant judicial practice on whether a keepwell deed and/or a deed of equity interest purchase undertaking shall be recognised in bankruptcy procedures of the keepwell provider/the provider for a deed of equity interest purchase undertaking is still evolving*".

The PRC government (including the Sichuan Government (as defined herein)) is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes, the Guarantee, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking in lieu of the Issuer, the Guarantor or, as the case may be, the Company. See "*Risk Factors – The PRC government has no obligations under the Notes*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or "**SEHK**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("**Professional Investors**") only during the 12-month period after the date of this document on the SEHK. This document is for distribution to Professional Investors only.

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

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

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on SEHK for the purpose of giving information with regard to the KW Note Issuer, the Guarantor and the Company and the Notes. Each of the KW Note Issuer, the Guarantor and the Company 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 statement herein misleading.

Notice of the aggregate nominal amount of the Notes, interest payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to a Tranche (as defined under the "**Summary of the Programme**") of Notes will be set out in a Pricing Supplement which, with respect to the Notes to be listed on SEHK, will be delivered to SEHK, on or before the date of issue of the Notes of such Tranche. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on SEHK or any other stock exchange.

Notes may be issued in bearer or registered form. The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**") (collectively, a "**Global Note**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5I(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") must be initially represented by a Temporary Global Note and interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Permanent Global Note on or after the Exchange Date (as defined herein), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "**CMU**") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Where the *Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises*（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號））issued by the National Development and Reform Commission (the "**NDRC**") of the People's Republic of China (the "**PRC**") and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota and/or the relevant pre-issuance registration or amended registration certificate available to the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Company undertakes to (A) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Information Report**"); and (B) within ten PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(b)(A) provide the Trustee with a certificate signed by any authorised signatory of the Company confirming the submission of the NDRC Post-issue Information Report.

In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use all reasonable endeavours to complete the registration and filing on or before the Registration Deadline (as defined in Condition 6(g)) with the State Administration of Foreign Exchange of the PRC ("**SAFE**") or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the *Administrative Measures for Foreign Debt Registration*（外債登記管理辦法）issued by SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time (the "**SAFE Measures**") and the *Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing* (Yin Fa [2017] No.9（《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》）（銀發[2017]9號）promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC, which will be made by the Company within the prescribed time period in accordance therewith.

The Notes 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 with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or, in case of Regulation S (as defined below) Category 2 offering, to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act ("Regulation S")) except pursuant to an exemption from the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. There will be no public offering of securities in the United States. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. Bearer Notes are subject to U.S. tax law requirements. Any Series of Notes may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Notes will specify any such restrictions. See "*Subscription and Sale*" and the relevant Pricing Supplement. Registered Notes are subject to certain restrictions on transfer as described in "*Subscription and Sale*".

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

In addition, if the Pricing Supplement in respect of any relevant Tranche of Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the relevant Tranche of Notes is not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point(10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the relevant Tranche of Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Further, if the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"). The Company (in respect of the Direct Issuance Notes) and the KW Note Issuer (in respect of the KW Notes) will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the KW Note Issuer, the Guarantor or the Company (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is rated "A-" by Fitch Ratings Ltd. ("**Fitch**"). In addition, the Company has been assigned a rating of A- by Fitch with a stable outlook. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in the Notes. Investors should not purchase the Notes unless they understand and are able to bear risks associated with the Notes. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular.

Arrangers

Standard Chartered Bank | **CMBC Capital**

Dealers

Standard Chartered Bank | **CMBC Capital** | **Bank of China** | **Shenwan Hongyuan (H.K.)**

8 February 2021

NOTICE TO INVESTORS

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 purposes of giving information with regard to the KW Note Issuer, the Guarantor and the Company.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the KW Note Issuer, the Guarantor and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the KW Note Issuer, the Guarantor, the Company and its subsidiaries taken as a whole (the "**Group**"), the Notes, the Guarantee (in respect of the KW Notes), the Keepwell Deed (in respect of the KW Notes) and the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), which is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Offering Circular relating to the KW Note Issuer, the Guarantor, the Company and the Group are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the KW Note Issuer, the Guarantor, the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the KW Note Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee (in respect of the KW Notes), the Keepwell Deed (in respect of the KW Notes) or the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the KW Note Issuer, the Guarantor and the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, each of the KW Note Issuer, the Guarantor and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the KW Note Issuer, the Guarantor, the Company and the Notes. The KW Note Issuer, the Guarantor and the Company accept full responsibility for the accuracy of the information contained in this Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the KW Note Issuer, the Guarantor, the Company or the Notes.

A Tranche of the Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of the Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular has been prepared by the KW Note Issuer, the Guarantor and the Company solely for use in connection with the Programme and the offering of the Notes thereunder described in this Offering Circular. The distribution of this Offering Circular and any Pricing Supplement and the offering of the Notes under the Programme in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement comes are required by the KW

Note Issuer, the Guarantor, the Company, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes 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 Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the British Virgin Islands ("**BVI**"), Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau, to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor"**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules"**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4 (1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE) – The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"). The Company (in respect of the Direct Issuance Notes) and the KW Note Issuer (in respect of the KW Notes) will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

No person has been or is authorised to give any information or to make any representation concerning the KW Note Issuer, the Guarantor, the Company, the Group, the Notes, the Guarantee (in respect of the KW Notes), the Keepwell Deed (in respect of the KW Notes) or the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), other than as contained in or not consistent with this Offering Circular or any information supplied by the KW Note Issuer, the Guarantor, the Company, the Group, or such other information as is in the public domain and, if given or made, any such other information or representation should not be relied upon as having been authorised by the KW Note Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents (as defined herein). Neither the delivery of this Offering Circular, any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes 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 KW Note Issuer, the Guarantor, the Company, the Group or any of them since the date hereof or if later, the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct at any date subsequent to the date hereof or if later, the date upon which this Offering Circular has been most recently amended or supplemented. This Offering Circular or any Pricing Supplement does not constitute an offer of, or an invitation by or on behalf of the KW Note Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The KW Note Issuer, the Guarantor and the Company have distributed this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Notes. Neither the KW Note Issuer, the Guarantor nor the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents. None of the Arrangers, the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular or can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the KW Note Issuer, the Guarantor, the Company, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER(S) DESIGNATED AS THE STABILISATION MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISATION MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER(S) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

In making an investment decision, investors must rely on their own examination of the KW Note Issuer, the Guarantor, the Company, the Group and the terms of the offering, 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 Notes.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any person affiliated with the Arrangers, the Dealers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisors accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisors or on its or their behalf in connection with the KW Note Issuer, the Guarantor, the Company, the Group, the Guarantee (in respect of the KW Notes), the Keepwell Deed (in respect of the KW Notes), the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), the Programme or the issue and offering of the Notes thereunder. Each of the Arrangers, the Dealers, the Trustee and the Agents or any of their respective affiliates, directors or advisors 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 Arrangers, the Dealers, the Trustee, the Agents or any of their respective affiliates, directors or advisors undertakes to review the financial condition or affairs of the KW Note Issuer, the Guarantor, the Company or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates, directors or advisors.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise specified or the context requires, all references in this Offering Circular to "**the Company**", "**the Group**", "**we**", "**us**", "**our**" and words of similar import are to Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）and its consolidated subsidiaries.

Unless otherwise indicated, all references in this Offering Circular to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China and all references to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.

Unless otherwise specified or the context requires, all references in this Offering Circular to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, references herein to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**HKD**" are to the lawful currency of Hong Kong, references herein to "**Sterling**" or "**£**" are to the lawful currency of the United Kingdom and references herein to "**U.S. dollars**", "**U.S.$**", "**US$**" or "**USD**" are to the lawful currency of the United States of America.

Solely for convenience, this Offering Circular contains translations of certain Renminbi amounts into U. S. dollars amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollars amounts has been made at the rate of RMB6.9618 to U.S.$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2019. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all. Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Company compiled on a consolidated basis.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the 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.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the KW Note Issuer, the Guarantor, the Company, the Arrangers or the Dealers or their respective affiliates, directors and advisors, and none of the KW Note Issuer, the Guarantor, the Company, the Arrangers or the Dealers or their respective affiliates, directors and advisors makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

The English names of 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 the sections headed Summary, Risk Factors, Description of the Guarantor, Description of the Group and Directors and Supervisors of the Group of this Offering Circular, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"**CAAC**"	the Civil Aviation Administration of China (中國民用航空局)
"**Changjiang Water**"	Sichuan Changjiang Water Transport Co., Ltd (四川長江水運公司), a company established under the laws of the PRC
"**Chengdu Airlines**"	Chengdu Airlines Co., Ltd (成都航空有限公司), a company established under the laws of the PRC
"**CPC**"	Communist Party of China (中國共產黨)
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"**EIT Law**"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法)
"**GDP**"	gross domestic product
"**Luqiao Shengtong**"	Luqiao Shengtong Co., Ltd. (四川路橋盛通建築工程有限公司), a company established under the laws of the PRC
"**MOF**"	Ministry of Finance of the PRC (中華人民共和國財政部)
"**Renewable Energy Law**"	Renewable Energy Law of the People's Republic of China (中華人民共和國可再生能源法)
"**SAT**"	State Administration of Taxation (國家稅務總局)
"**SDH Wings**"	SDH Wings International Leasing Limited, a company established under the laws of Ireland
"**Sichuan Airlines**"	Sichuan Airlines Co., Ltd. (四川航空股份有限公司), a company established under the laws of the PRC
"**Sichuan Airlines CA Catering**"	Sichuan Airlines Chongqing Airport Catering Co., Ltd. (四川航空重慶機場配餐服務有限公司), a company established under the laws of the PRC
"**Sichuan Airlines Group**"	Sichuan Airlines Group Co., Ltd. (四川航空集團有限責任公司), a company established under the laws of the PRC
"**Sichuan Airlines LSG Catering**"	Sichuan Airlines LSG Catering Co., Ltd. (四川航空漢莎食品有限公司), a company established under the laws of the PRC
"**Sichuan Communications**"	Sichuan Communications Investment Group Co., Ltd. (四川省交通投資集團有限責任公司), a company established under the laws of the PRC
"**Sichuan Energy**"	Sichuan Energy Industry Investment Group Co., Ltd. (四川省能源投資集團有限責任公司), a company established under the laws of the PRC

"**Sichuan Expressway**"	Sichuan Expressway Company Limited (四川成渝高速公路股份有限公司), a company established under the laws of the PRC and listed on The Stock Exchange of Hong Kong Limited (stock code: 107.HK) and the Shanghai Stock Exchange (stock code: 601107.SH)
"**Sichuan Government**"	The People's Government of Sichuan Province (四川省人民政府)
"**Sichuan Minjiang Port & Channel**"	Sichuan Minjiang Port and Channel Power Development Co., Ltd. (四川岷江港航電開發有限責任公司), a company established under the laws of the PRC
"**Sichuan Nengtou**"	Sichuan Nengtou Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司), a company established under the laws of the PRC
"**Sichuan Port & Channel**" . . .	Sichuan Port and Channel Development Co., Ltd. (四川省港航開發有限責任公司), a company established under the laws of the PRC
"**Sichuan Publishing**"	Sichuan Publishing Group Co., Ltd. (四川出版集團有限責任公司), a company established under the laws of the PRC
"**Sichuan Railway**"	Sichuan Railway Investment Group Co., Ltd. (四川省鐵路產業投資集團有限責任公司), a company established under the laws of the PRC
"**Sichuan Railway Investment**"	PetroChina Sichuan Railway Investment Co., Ltd. (中石油四川鐵投能源有限責任公司), a company established under the laws of the PRC
"**Sichuan Railway Investment Oil**"	China National Aviation Fuel Group Sichuan Railway Investment Oil Co., Ltd. (中國航油集團四川鐵投石油有限責任公司), a company established under the laws of the PRC
"**Sichuan Road & Bridge**" . . .	Sichuan Road & Bridge Co., Ltd. (四川路橋建設股份有限公司), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 600039.SH)
"**Sichuan Road & Bridge Group**"	Sichuan Road & Bridge Group Co., Ltd. (四川公路橋梁建設集團有限公司), a company established under the laws of the PRC
"**Sichuan Salt**"	Sichuan Salt Company (四川省鹽業總公司), a company established under the laws of the PRC
"**Sichuan SASAC**"	State-owned Assets Supervision and Administration Commission of the People's Government of Sichuan Province (四川省政府國有資產監督管理委員會)
"**Sichuan Transportation**" . . .	Sichuan Transportation Investment Industrial Co., Ltd. (四川交投實業有限公司), a company established under the laws of the PRC
"**Sichuan Xinhua**"	Sichuan Xinhua Publishing Group Co., Ltd. (四川新華發行集團有限公司), a company established under the laws of the PRC

"**Sichuan Yieldcap**"	Sichuan Yieldcap Industrial Co., Ltd.（四川怡展實業有限公司）, (previously the Sichuan Zhongri Vehicle Services Co., Ltd.（四川中日汽車服務有限公司, "**Zhongri Vehicle Services**")), a Sino-foreign joint venture enterprise with limited liability established under the laws of the PRC
"**SOE**"	State-owned enterprise
"**Xinhua Winshare**"	Xinhua Winshare Publishing and Media Co., Ltd.（新華文軒出版傳媒股份有限公司）, a company established under the laws of the PRC and listed on The Stock Exchange of Hong Kong Limited (stock code: 811.HK) and the Shanghai Stock Exchange (stock code: 601811.SH)

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2018 and 2019 (the **"Company's 2018 Consolidated Financial Statements**" and the "**Company's 2019 Consolidated Financial Statements**", respectively), which are included elsewhere in this Offering Circular, were prepared on the basis stated therein in accordance with the Accounting Principles in the PRC ("**PRC GAAP**") and have been audited by ShineWing Certified Public Accountants LLP ("**ShineWing**"), the Company's independent auditor. The Company's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2020 (the "**Company's 2020 Interim Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, have been reviewed by ShineWing in accordance with Chinese Institute of Certified Public Accountants Review Standards No. 2101 – Review of Financial Statements (the "**Review Standards No. 2101**").

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2018 and 2019 (the "**Guarantor's 2018 Consolidated Financial Statements**" and the "**Guarantor's 2019 Consolidated Financial Statements**", respectively) were prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") and have been audited by SHINEWING (HK) CPA Limited ("**ShineWing (HK)**"), the Guarantor's independent auditor. The Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2020 (the "**Guarantor's 2020 Interim Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular, have been reviewed by ShineWing (HK) in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "**Review Engagement 2410**").

The Company's 2020 Interim Consolidated Financial Statements and the Guarantor's 2020 Interim Consolidated Financial Statements have not been audited by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Arrangers, the Dealers or any of their respective affiliates, directors or advisors makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the financial condition and results of operations of the Company or the Guarantor. In addition, the Company's 2020 Interim Consolidated Financial Statements and the Guarantor's 2020 Interim Consolidated Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Company or the Guarantor for the full financial year ending 31 December 2020.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement; and

(ii) all amendments and supplements from time to time to this Offering Circular,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon written request) free of charge, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Trustee set out at the end of this Offering Circular.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but are not limited to, statements relating to:

- general political and economic conditions, including those related to the PRC;
- the Group's ability to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates or into which the Group intends to expand;
- the Group's business prospects;
- the Group's capital expenditure and operational plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- capital market developments;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business and its business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- the Group's dividend policy;
- various business opportunities that the Group may pursue;
- macroeconomic measures adopted by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

In some cases, investors can identify forward-looking statements by such terminology as "**may**", "**will**", "**should**", "**could**", "**would**", "**expect**", "**intend**", "**plan**", "**anticipate**", "**going forward**", "**ought to**", "**seek**", "**project**", "**forecast**", "**believe**", "**estimate**", "**predict**", "**potential**" or "**continue**" or the negative of these terms or other comparable terminology. Such statements reflect the current views of the KW Note Issuer, the Guarantor and/or the Company with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance, some of which may not materialise or may change. Although the KW Note Issuer, the Guarantor and the Company believe that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that those expectations will prove to be correct, and investors are cautioned not to place undue reliance on such 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 KW Note Issuer, the Guarantor, the Company and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. The KW Note Issuer, the Guarantor and the Company undertake no obligation to 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, the forward-looking events discussed in this Offering Circular might not occur and the KW Note Issuer's, the Guarantor's and the Company's actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only at the date of this Offering Circular. The KW Note Issuer, the Guarantor and the Company expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

This summary does not contain all the information that may be important to prospective investors in deciding whether or not to invest in the Notes. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

The Company is the only provincial-level state-owned capital operation company in Sichuan Province. It invests in and controls a number of specialised investment and financing companies in various industries, including principally transportation infrastructure construction and operation, general trading, power generation and supply, media and culture, as well as others. As at 30 June 2020, the Company operated its business through more than 1,315 subsidiaries and joint ventures, including 48 directly-owned subsidiaries and 11 companies listed in the PRC and/or Hong Kong. The Company was incorporated on 24 December 2008 as the platform for diversified ownership structure reform and operation transition for the state-owned companies in Sichuan Province. Leveraging the strong support from the Sichuan Government, the Group has expanded its business rapidly across its four principal business segments.

Transportation Infrastructure Construction and Operation: The Group's transportation infrastructure construction and operation business consists of (i) expressway construction and operation, (ii) railway and bridge construction and operation, and (iii) air transportation. As at 30 June 2020, the Group was engaged in the operation of 86 expressways (of which 61 were complete and fully open, which account for 78% of the aggregate length of operating expressways in the province and cover 21 cities, and 25 were still under construction and in partial operation, which account for 84% of the aggregate length of expressways under construction in Sichuan Province). As at 30 June 2020, the Group had 25 key national and regional railway lines in operation or under construction with an aggregate mileage of 3,911 km. The Group has also undertaken a large amount of bridge construction projects, including 154 bridges over Yangtze River. As the main participant of transportation infrastructure construction and operation in Sichuan Province, the Group is the main force and the leader of the toll road construction and operation business in Sichuan Province. The Group's expressway construction business has a market share of approximately 30% of expressway construction business in Sichuan Province. The Group's operation business has a leading position in Sichuan Province. As at 30 June 2020, the Group operated 86 expressways with a total length of 9,084.7 kilometres. As at 30 June 2020, according to the operational data published by Sichuan Transportation Department on the website of the People's Government of Sichuan Province, the aggregate length of operating expressways in Sichuan Province amounted to over 7,500 kilometres. In addition, the Group acted as a hub in the regional air transportation, providing an airline catering service and various ancillary services such as airplane maintenance and aviation training. Transportation infrastructure construction and operation has made a significant contribution to the Group's operating income and total assets. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's transportation infrastructure construction and operation business contributed RMB59,872.5 million, RMB76,520.9 million, RMB99,004.3 million, RMB37,210.3 million and RMB36,805.1 million in total operating income, respectively, accounting for approximately 35.7%, 38.9%, 40.4%, 33.3% and 41.2% respectively, of the Group's total operating income from principal businesses for the corresponding years.

General Trading: The Group operates its general trading business primarily through Sichuan Railway Investment Oil and Sichuan Railway Investment (both of which are subsidiaries of Sichuan Railway), Sichuan Transportation (which is a subsidiary of Sichuan Communications), Sichuan Nengtou (which is a subsidiary of Sichuan Energy), Sichuan Port & Channel (a subsidiary of Sichuan Communications) and Sichuan Salt. The Group's general trading business is largely ancillary to the Group's transportation infrastructure construction and operation segment and power generation and supply segment, primarily focusing on trading in salts and materials such as gasoline, diesel and other civil engineering materials.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's general trading business contributed RMB88,988.4 million, RMB100,705.0 million, RMB117,288.4 million, RMB63,032.2 million and RMB38,402.8 million in total operating income, respectively, accounting for approximately 53.1%, 51.1%, 47.8%, 56.4% and 43.0% respectively, of the Group's total operating income from principal businesses for the corresponding years.

Power Generation and Supply: The Group mainly operates its power generation and supply business through Sichuan Energy and Sichuan Port & Channel. The Group generates energy from hydropower plants, wind farms and biomass power plants. In addition, the Group also takes part in the construction, upgrading and operation of the power grid in Sichuan Province's rural areas. Revenue from the Group's power generation and supply segment is primarily derived from the sale of power generated by its power plants. As at 30 June 2020, the Group held equity interests in 174 hydropower plants, six biomass power plants, eight wind farms and 17 photovoltaic power projects in commercial operation with an aggregate attributable installed capacity of 7,784.1 MW. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's power generation and supply business contributed RMB7,035.1 million, RMB8,337.3 million and RMB14,125.3 million, RMB6,271.7 million and RMB7,951.2 million in total operating income, respectively, accounting for approximately 4.2%, 4.2%, 5.8%, 5.6% and 8.9%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

Media and Culture: The Group's publication business includes publication of books, periodicals, audiovisual products and digital products, provision of printing services, and supply of materials. As at 30 June 2020, the Group owned and operated nine publishing houses, two brands of newspaper, 11 brands of magazines and one publishing house of audio-visual products and digital products. The Group is also engaged in the subscription and distribution of textbooks and supplemental study books, as well as retail sales. The retail sales business is operated through a retail network of 170 outlets with an aggregate operational floor area of more than 150,000 sq. metres. Xinhua Winshare is the exclusive distributor and sole publisher of all government-sponsored primary and secondary school textbooks in Sichuan. It is also the chief supplier of all non-sponsored textbooks. The Group has actively expanded its distribution channels to supermarkets and online platforms in recent years. As at 30 June 2020, the Group had set up 170 direct outlets and 28 medium-to-large book stores with a sale network covering 18 regions and 134 counties. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's media and culture business contributed RMB8,790.3 million, RMB8,640.6 million, RMB8,835.7 million, RMB4,016.0 million and RMB3,617.8 million in total operating income, respectively, accounting for approximately 5.3%, 4.4%, 3.6%, 3.6% and 4.0%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

Others: The Group also invests in various other businesses, such as water management and the sale and distribution of metallic materials and timber. The Group invests, where appropriate, in other businesses with amounts the Group considers suitable to its risk profile to maintain a balanced investment portfolio. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's other business contributed RMB2,796.3 million, RMB2,700.4 million, RMB5,931.2 million, RMB1,315.2 million and RMB2,598.3 million in total operating income, respectively, accounting for approximately 1.7%, 1.4%, 2.4%, 1.2% and 2.9%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

COMPETITIVE STRENGTHS

- Comprehensive Government Support;
- Sichuan Province's Sole Provincial-level State-owned Capital Operation Company;
- Diversified business portfolio with stable growth;

- Integrate the Province's Advantageous Resources and Promote the Constructions of Major Projects in the Province;
- Management team with abundant experiences; and
- Balanced and Optimized Financing Policies with Prudent and Excellent Debt Management.

STRATEGIES

- Actively develop its financial and quasi-financial services business to complement its industrial segments;
- Continue to maintain and expand its leading market position in the transportation infrastructure construction and operation business in Sichuan Province;
- Maintain and strengthen its position as a leading publishing and distribution group in China; and
- Expand its operations to become an integrated energy services provider in Sichuan.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled "Terms and Conditions of the Notes".

Company	Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）
KW Note Issuer	Yieldking Investment Limited（怡錦投資有限公司）
Guarantor in respect of the KW Notes	Sichuan Development International Holding Company Limited（四川發展國際控股有限公司）(formerly known as Yieldsun Investment Limited（怡升投資有限公司）)
Keepwell Deed provider in respect of the KW Notes	Sichuan Development Holding Co., Ltd.（四川發展（控股）有限責任公司）
Deed of Equity Interest Purchase Undertaking provider in respect of the KW Notes	Sichuan Development Holding Co., Ltd.（四川發展（控股）有限責任公司）
Guarantee.	The Guarantor will, in respect of a Tranche of KW Notes, unconditionally and irrevocably guarantee (the "**Guarantee**") the due payment of all sums expressed to be payable by the KW Note Issuer under the Trust Deed and the KW Notes, the Receipts and the Coupons.
Undertakings in relation to the Direct Issuance Notes	In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use all reasonable endeavours to complete the registration and filing on or before the Registration Deadline (being the day falling 90 Registration Deadline Business Days after the date of the relevant Issue Date as defined in the Terms and Conditions of the Notes) with SAFE or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the *Administrative Measures for Foreign Debt Registration*（外債登記管理辦法）issued by SAFE and which came into effect on 13 May 2013 and has been amended on 4 May 2015,and the *Operation Guidelines for Foreign Exchange Business under the Capital Account (2017 Version)*（資本項目外匯業務操作指引（2017年版）), and any implementation rules, reports, certificates or guidelines as issued by SAFE from time to time (the "**SAFE Measures**") and the *Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing* (Yin Fa [2017] No.9)（《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》（銀發[2017]9號））promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC, which will be made by the Company within the prescribed time period in accordance therewith.

Information Report to NDRC . .	Where the *Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises* (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)) is sued by the National Development and Reform Commission of the PRC (the "**NDRC**") and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota and/or the relevant pre-issuance registration or amended registration certificate available to the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with the Conditions, the Company undertakes to (A) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Information Report**"); and (B) within ten PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(b)(A), provide the Trustee with a certificate signed by any authorised signatory of the Company confirming the submission of the NDRC Post-issue Information Report.
Description.	Medium Term Note Programme.
Size.	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of the Notes outstanding at any one time. The KW Note Issuer, the Guarantor and the Company may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the KW Note Issuer, the Guarantor and the Company to fulfil their respective obligations in respect of the relevant Notes, the Guarantee, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are discussed under "*Risk Factors*".
Arrangers	Standard Chartered Bank and CMBC Securities Company Limited.
Dealers	Standard Chartered Bank, Standard Chartered Bank (Hong Kong) Limited, CMBC Securities Company Limited, Bank of China Limited and Shenwan Hongyuan Securities (H.K.) Limited.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	Bank of Communications Trustee Limited

Principal Paying Agent, Paying Agent, Transfer Agent and Calculation Agent	Bank of Communications Co., Ltd. Hong Kong Branch
CMU Lodging and Paying Agent	Bank of Communications Co., Ltd. Hong Kong Branch
Registrar in respect of Notes Held in the CMU	Bank of Communications Co., Ltd. Hong Kong Branch
Registrar in respect of Notes Held in Clearstream and Euroclear	Bank of Communications Co., Ltd. Hong Kong Branch
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, the issue price, the NDRC Post-issue Information and/or the Foreign Debt Registration), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of a Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. A Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. A Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a Temporary Global Note, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems.	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the Principal Paying Agent, the Trustee and the relevant Dealer(s).

Initial Delivery of Notes.	On or before the issue date for a Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the Trustee, the Principal Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Maturities.	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.
Specified Denomination	Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the KW Note Issuer or the Company in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the KW Note Issuer or the Company in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes.	Fixed interest will be payable in arrear on such date or dates as may be agreed between the KW Note Issuer, the Guarantor, and/or the Company, as the case may be, and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the KW Note Issuer, the Guarantor and/or the Company, as the case may be the relevant Dealer(s) and the Principal Paying Agent.
Floating Rate Notes.	Floating Rate Notes will bear interest determined separately for each Series as follows:

- on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporated the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the issue date of the first Tranche of the Notes of the relevant Series); or

- by reference to LIBOR, EURIBOR, HIBOR, SHIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or

- on such other basis as may be agreed between the KW Note Issuer, the Guarantor, and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes . . . . . Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes . . . . . Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange, as the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.

Index Linked Notes . . . . . Payments of principal in respect of Index Linked Redemption Notes (as defined in "*Terms and Conditions of the Notes*") or of interest in respect of Index Linked Interest Notes (as defined in "*Terms and Conditions of the Notes*") will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the KW Note Issuer, the Guarantor and/or the Company, as the case may be, the relevant Dealer(s) and the Principal Paying Agent may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates . . . . . The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the KW Note Issuer or the Company in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the KW Note Issuer or the Company in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Redemption for Change of Control	Following the occurrence of a Change of Control, the holder of any Note will have the right at such holder's option, to require the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) to redeem all, but not some only of such holder's relevant Notes at 101% of their principal amount together with accrued interest to the date fixed for redemption, as further described in Condition 6(f) of the Terms and Conditions of the Notes.
Redemption for No Registration Event	In respect of a Tranche of Direct Issuance Notes only, at any time following the occurrence of a No Registration Event, the Company shall, at the option of the holder of any Direct Issuance Note, redeem all but not some only of the Direct Issuance Notes of the relevant Tranche held by such holder at a price equal to their principal amount (together with interest accrued to the date fixed for redemption), as further described in Conditions 6(g) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.

Status of the Notes	The Notes, the Receipts and the Coupons relating to them constitute direct, unsubordinated, unconditional, and (subject to Condition 4 (a)) unsecured obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) which shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) under the relevant Notes and the Receipts and the Coupons relating to them 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 KW Note Issuer's (in respect of a Tranche of KW Notes) or the Company's (in respect of a Tranche of Direct Issuance Notes) 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), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Conditions 4(a) of the Terms and Conditions of the Notes.
Cross-Acceleration.	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal, premium and interest by or on behalf of the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law. The KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders, Couponholders and Receiptholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 of the Terms and Conditions of the Notes.
Ratings	Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Governing Law and Jurisdiction	English law with the submission to the exclusive jurisdiction of Hong Kong courts.
Listing and Admission to Trading.	Application will be made to the SEHK for the listing of the Programme during the 12 month period from the date of this Offering Circular on the SEHK by way of debt issues to Professional Investors only. Notes listed on the SEHK will be traded on the SEHK in a board lot size of at least HK$500,000 (or its equivalent in other currencies). However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SEHK or listed, traded or quoted on or by any other competent authority, exchange or quotation system.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including, for these purposes, the United Kingdom), the BVI, Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral rights to rollover or extend the term) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the KW Note Issuer or the Company to comply with the certification requirements under TEFRA D. Where TEFRA D is applicable, Bearer Notes must initially be issued in the form of Temporary Global Notes, exchangeable for Permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.

Keepwell Deed	The KW Note Issuer, the Guarantor, the Company and the Trustee have entered into the Keepwell Deed, which will only be applicable to the KW Notes, as further described in "*Description of the Keepwell Deed*".
Deed of Equity Interest Purchase Undertaking.	The KW Note Issuer, the Guarantor, the Company and the Trustee have entered into the Deed of Equity Interest Purchase Undertaking, which will only be applicable to the KW Notes, as further described in "*Description of the Deed of Equity Interest Purchase Undertaking*".
Legal Entity Identifier Number .	3003008OFTD3ORZ61396

SELECTED FINANCIAL INFORMATION OF THE COMPANY

*The following tables present the summary financial information of the Company. The Company's summary consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 set forth below have been (save for a few adjusted items described in further detail below) derived from the Company's consolidated financial statements as at and for the years ended 31 December 2018 and 2019, as audited by ShineWing Certified Public Accountants LLP ("**ShineWing**"), its independent auditor, and included elsewhere in this Offering Circular.*

Each of the Company's financial statements as at and for the years ended 31 December 2018 and 2019 have been prepared on the basis stated therein presented in accordance with the PRC GAAP. The summary financial statements below should be read in conjunction with the consolidated financial statements and the notes to those statements of the Company included elsewhere in this Offering Circular.

The summary consolidated financial information of the Company as at 30 June 2020 and for the six months ended 30 June 2019 and 2020, as set forth below, is derived from the unaudited but reviewed consolidated financial statements of the Company as at and for the six months ended 30 June 2020. Such financial information was prepared on the basis stated therein presented in accordance with PRC GAAP and has not been audited by ShineWing or any other independent auditor. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit by an independent auditor.

Furthermore, such unaudited but reviewed consolidated financial information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition, results of operations and results of the Company for the full year ended 31 December 2020.

The summary financial statements below should be read in conjunction with the consolidated financial statements and the notes to those statements of the Company included elsewhere in this Offering Circular.

	For the year ended 31 December			For the six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB in millions (audited)	*RMB in millions (audited)*	*RMB in millions (audited)*	*RMB in millions (unaudited)*	*RMB in millions (unaudited)*
Summary consolidated profit and loss statement information					
Total revenue	170,173.9	200,303.5	248,317.2	113,122.9	91,266.2
Total operating costs	171,219.9	201,703.9	249,500.9	113,788.0	95,928.5
Including: Operating costs	147,019.1	172,615.3	212,945.4	98,424.8	79,427.3
Taxes and surcharges	804.8	965.1	1,427.5	530.7	601.8
Selling and distribution expenses	2,057.0	2,516.2	3,094.7	1,477.9	1,382.4
General and administrative expenses	6,550.1	7,762.7	9,172.3	3,494.3	3,352.4
Financial expenses	13,450.9	17,348.6	21,583.0	9,681.4	10,613.7
Asset impairment loss	1,297.6	(1,998.6)	41.4	(98.3)	(100.3)
Add: Gains from changes in fair values	(46.2)	(976.9)	407.7	368.8	428.8
Investment income	4,584.6	6,890.1	9,480.5	3,021.6	1,271.4
Gains/losses from asset disposals	(1.9)	203.9	237.5	4.3	39.5
Other income	429.5	865.9	780.3	277.7	217.8
Operating profit	**3,920.0**	**3,584.1**	**9,546.9**	**2,909.1**	**(2,945.4)**
Add: Non-operating income	405.9	1,770.7	1,571.6	335.2	823.7
Less: Non-operating expenses	264.7	870.2	406.5	82.7	118.5
Total profit	**4,061.2**	**4,484.6**	**10,712.0**	**3,161.7**	**(2,240.2)**
Less: Income tax expenses	667.1	1,515.2	2,302.6	1,032.9	1,015.7
Net profit	**3,394.1**	**2,969.4**	**8,409.4**	**2,128.7**	**(3,255.9)**
Net profit attributable to shareholders of the Company	19.6	(1,583.6)	1,982.0	(1,066.3)	(6,013.3)
Net profit attributable to non-controlling interests	3,374.5	4,552.9	6,427.4	3,195.0	2,757.4

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB in millions (audited)	*RMB in millions (audited)*	*RMB in millions (audited)*	*RMB in millions (unaudited)*
Summary consolidated balance sheet information				
Current Assets:				
Cash and cash equivalents	94,613.3	117,199.4	115,547.8	118,386.1
Held-for-trading financial assets	–	–	1,561.4	1,816.7
Financial asset at fair value through profit or loss	4,877.9	3,201.6	4,149.4	5,097.8
Derivative financial assets	0.2	–	–	–
Notes receivable	674.8	737.9	1,463.4	1,075.9
Accounts receivable	14,700.7	21,413.4	25,043.4	27,056.7
Prepayments	7,381.2	8,076.5	8,155.0	10,916.6
Interest receivables	479.5	732.8	1,100.8	1,223.6
Dividend receivables	32.3	143.8	182.2	177.2
Other receivables	29,981.3	35,108.3	39,473.5	39,796.8
Inventories	44,812.4	58,841.4	69,270.2	74,503.7
Contract assets	–	–	–	1,083.1
Non-current assets due within one year	3,714.5	10,445.4	9,096.2	11,310.9
Other current assets	13,770.1	17,493.0	17,833.1	26,583.5
Total Current Assets	**215,038.2**	**273,393.5**	**292,876.3**	**319,028.7**
Non-current Assets:				
Loans and advances	7,358.8	7,291.2	6,829.5	6,430.9
Debt investments	–	–	–	134.6
Financial assets available-for-sale	35,728.3	32,490.3	49,914.6	49,835.6
Held-to-maturity investments	500.1	607.7	2,127.1	2,879.7
Long-term receivables	87,350.6	87,918.8	93,622.3	98,603.5
Long-term equity investments	52,184.0	73,539.7	83,372.0	88,946.3
Other equity instruments investment	–	–	2,174.6	3,155.2
Other non-current financial assets	–	–	576.1	671.2
Investment properties	1,976.4	3,647.4	4,170.9	4,930.0
Net carrying value of fixed assets	232,662.3	252,203.8	273,629.5	271,770.3
Constructions in process	65,891.0	85,679.9	89,934.5	104,326.8
Construction materials	785.5	649.5	482.7	337.6
Fixed assets on disposal	11.3	19.6	11.2	25.8
Productive biological assets	36.3	60.3	42.5	41.7
Right-of-use assets	–	–	422.5	419.1
Intangible assets	138,627.3	152,426.1	143,403.7	152,273.1
Development costs	73.8	481.9	528.1	624.7
Goodwill	1,145.9	3,336.4	4,341.4	4,313.4
Long-term deferred expenses	911.3	1,041.7	2,205.1	2,060.0
Deferred tax assets	1,248.3	2,161.4	2,400.7	2,558.7
Other non-current assets	64,562.4	79,791.3	93,941.7	93,249.2
Total Non-current Assets	**691,053.5**	**783,346.9**	**854,130.8**	**887,587.5**
Total Assets	**906,091.7**	**1,056,740.3**	**1,147,007.2**	**1,206,616.2**
Current Liabilities:				
Short-term Loans	36,777.6	39,257.5	43,794.5	49,768.3
Loans from the central bank	–	–	–	–
Customer deposits and deposits from banks and other financial institutions	–	–	–	–
Financial liability at fair value through profit or loss	–	–	112.5	262.2
Derivative financial liabilities	–	–	–	–
Notes Payable	1,186.0	1,932.3	2,494.3	4,073.2
Accounts Payable	31,312.3	43,347.3	45,494.5	43,473.4
Receipts in advance	10,929.8	12,864.8	14,980.4	13,569.4
Contract liabilities	–	–	1,087.1	2,566.4
Employee benefits payable	2,640.8	3,352.7	4,105.3	2,315.6
Taxes payables	2,105.7	3,354.5	3,677.0	2,350.1
Interest payable	2,513.8	4,586.4	5,253.7	5,979.4
Dividends payable	886.8	788.8	667.1	1,367.3
Other payables	20,634.4	27,512.7	28,777.5	28,914.4
Non-current liabilities due within one year	39,079.9	48,202.2	62,994.1	70,278.3
Other current liabilities	5,028.3	8,878.7	12,908.7	11,882.7
Total Current Liabilities	**153,095.3**	**194,077.9**	**226,346.7**	**236,800.7**

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB in millions (audited)	*RMB in millions (audited)*	*RMB in millions (audited)*	*RMB in millions (unaudited)*
Non-current Liabilities:				
Insurance contract reserves	421.8	499.7	640.3	759.0
Long-term borrowings	405,749.9	444,063.8	449,330.3	448,775.7
Bonds payable	43,948.9	78,590.1	111,029.2	117,323.2
Lease liabilities	–	–	316.4	334.5
Long-term payables	15,107.5	22,232.7	24,165.3	23,776.9
Long-term employee benefits payable	41.3	35.1	32.7	31.0
Special payable	13,879.9	13,945.9	14,537.6	14,479.4
Provisions	938.4	1,700.8	1,394.9	1,552.6
Deferred income	2,851.5	3,328.1	4,019.2	4,185.3
Deferred tax liabilities	3,673.2	4,009.2	3,584.7	3,661.9
Other non-current liabilities	3,147.9	749.2	1,251.7	830.7
Total Non-current Liabilities	**489,760.3**	**569,154.6**	**610,302.4**	**655,710.1**
Total Liabilities	**642,855.5**	**763,232.7**	**836,649.1**	**892,510.8**

Certain financial indicators

The following table includes certain figures relating EBITDA. EBITDA is not a standard measure under PRC GAAP, but 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, investors should consider, among other things, the components of EBITDA such as revenue and cost and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA have been included because it is believed that each is a useful supplement to cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
EBITDA[1]	26,109	32,617	41,489	16,653	14,118

(1) EBITDA is calculated with total revenue less operating costs, taxes and surcharges, sales expenses and administrative expenses, and adding depreciation of fixed assets, oil and gas assets and biological assets for production purpose, amortisation of intangible asset, amortisation of long-term deferred assets, investment income and government subsidy.

SELECTED FINANCIAL INFORMATION OF THE GUARANTOR

*The following tables present the summary financial information of the Guarantor. The Guarantor's summary financial information as at and for the nine months ended 31 December 2017 and as at and for the years ended 31 December 2018 and 2019 have been derived from the accountants' reports of the Guarantor as at and for the years ended 31 December 2018 and 2019 included elsewhere in this Offering Circular. Such accountants' reports of the Guarantor have been audited by SHINEWING (HK) CPA Limited ("**ShineWing (HK)**"), its independent auditor. The Guarantor's summary financial information as at and for the six months ended 30 June 2019 and 2020 have been derived from the accountants' reports of the Guarantor as at and for the six months ended 30 June 2020 included elsewhere in this Offering Circular. Such accountants' reports of the Guarantor have been reviewed by ShineWing (HK), its independent auditor in accordance with the Hong Kong Standard on Review Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").*

The Guarantor's financial statements as at and for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 have been prepared and presented in accordance with the HKFRS. The summary financial statements below should be read in conjunction with the accountants' report of the Guarantor and the notes to those statements included elsewhere in this Offering Circular.

Furthermore, such unaudited but reviewed financial information as at and for six months ended 30 June 2020 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 2020.

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

	For the nine months ended 31 December	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000 (audited)	*RMB'000 (audited)*	*RMB'000 (audited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Summary income statement information					
Revenue	45,662.6	193,350.3	386,613.7	166,861.6	226,245.4
Cost of revenue	(24,290.5)	(81,295.0)	(170,149.9)	(72,484.7)	(99,985.6)
Gross profit	21,372.1	112,055.3	216,463.8	94,376.9	126,259.8
Other income and gains	7,957.6	35,049.3	117,462.0	61,077.1	40,277.4
Share of profit of an associate	–	9,699.2	45,646.5	18,600.5	12,422.7
Unrealised gain on financial assets at FVTPL	12,600.0	(21,300.0)	450.0	1,200.0	(3,300.0)
Administrative and operating expenses	(16,703.6)	(45,086.6)	(44,414.7)	(16,364.1)	(19,266.1)
Finance costs	(30,018.3)	(108,701.4)	(302,477.1)	(142,868.1)	(157,035.5)
Profit (loss) before tax	(4,792.2)	(18,284.2)	33,130.5	16,022.3	(641.7)
Income tax expense	(1,080.1)	(4,318.3)	(13,652.9)	(5,272.5)	(7,477.6)
Profit (loss) for the year/period	**(5,872.3)**	**(22,602.5)**	**19,477.6**	**10,749.8**	**(8,119.3)**
Other comprehensive expenses for the year/period:					
Items that may be reclassified into profit or loss					
Exchange differences on translation of foreign operations	(12,738.3)	50,157.6	(76,705.9)	2,500.1	(111,005.7)
Total comprehensive income (expense) for the year/period	**(18,610.6)**	**27,555.1**	**(57,228.3)**	**13,249.9**	**(119,124.9)**
Total comprehensive income (expenses) for the year/period attributable to owners of the Company:	(17,519.8)	20,320.7	(55,221.9)	10,658.4	112,392.7
Total comprehensive income (expenses) for the year/period attributable to non-controlling interests:	(1,090.8)	7,234.4	(2,006.4)	2,591.5	6,732.2

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Summary financial position information				
Non-current assets				
Plant and equipment	1,030,598.9	3,523,708.3	4,893,130.3	4,863,509.1
Right-of-use asset	–	–	3,079.4	6,053.4
Prepayment for plant and equipment	–	6,863.2	–	–
Lease incentive assets	–	10,465.9	16,927.0	15,050.5
Maintenance intangible assets	91,113.2	–	–	–
Interest in an associate	–	371,673.7	413,373.3	432,005.9
Other financial assets	–	–	–	134,612.3
Deferred tax assets	–	–	3,983.0	17,431.0
Total non-current assets	1,121,712.1	3,912,711.1	5,330,493.0	5,468,662.1
Current assets				
trade receivables	–	–	–	53,495.2
Prepayment and other receivables	3,580.8	34,133.6	21,134.3	90,339.8
Amount due from immediate holding company	6,079.3	187,789.0	296,819.2	292,007.8
Amount due from related companies	–	–	257.4	–
Amount due from a non-controlling interest	–	14,755.9	–	–
Tax recoverable	–	24.5	24.5	24.5
Other financial assets	72,600.0	158,471.5	51,750.0	51,150.0
Restricted bank balances	–	48,075.3	75,161.5	57,569.2
Bank balances and cash	442,161.7	42,531.9	361,283.9	420,498.8
Bank term deposits	166,580.8	3,129,619.2	2,367,053.3	2,081,972.7
Total current assets	691,002.6	3,615,400.9	3,173,484.1	3,047,057.9
Current liabilities				
Interest payable	2,149.4	38,805.6	43,145.6	43,099.1
Other payables	50,961.3	76,701.3	36,514.6	30,563.7
Tax payable	28.5	–	664.7	1.4
Lease liabilities	–	–	808.7	1,835.4
Dividend payable	11,482.2	–	–	–
Amount due to a fellow subsidiary	–	–	22.3	18.9
Amount due to a related company	–	307.6	–	308.7
Current portion of long term borrowings	59,894.8	174,349.7	262,856.2	272,751.0
Total current liabilities	124,516.2	290,164.2	344,012.1	348,578.1
Net current assets	566,486.4	3,325,236.7	2,829,472.0	2,698,479.9
Total assets less current liabilities	1,688,198.5	7,237,947.8	8,159,965.0	8,167,142.0
Non-current liabilities				
Lease liabilities	–	–	2,336.3	4,260.9
Derivative financial liabilities	–	–	112,549.0	262,161.7
Long term borrowings	733,184.0	2,137,667.4	2,907,651.5	2,816,526.5
Guaranteed bonds	–	3,425,174.5	3,483,828.5	3,536,601.0
Deferred tax liabilities	341.4	3,244.8	–	–
Maintenance intangible liabilities	1,003.1	–	–	–
Maintenance reserves	12,437.9	10,092.6	10,258.8	10,410.7
Lessor Contribution	–	11,848.5	21,618.1	21,938.2
Total non-current liabilities	746,966.4	5,588,027.8	6,538,242.2	6,651,899.0
Net assets	**941,232.1**	**1,649,920.0**	**1,621,722.8**	**1,515,243.0**
Capital and reserves				
Share capital	894,132.7	1,492,548.1	1,492,548.1	1,492,548.1
Reserves	(8,350.4)	11,970.2	(43,251.7)	(155,644.5)
Equity attributable to owners of the Company	885,782.3	1,504,518.3	1,449,296.4	1,336,903.6
Non-controlling interests	55,449.8	145,401.7	172,426.4	178,339.4
Total equity	**941,232.1**	**1,649,920.0**	**1,621,722.8**	**1,515,243.0**

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including but not limited to the risks and uncertainties described below. The following factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Group or which the Group currently deems to be immaterial, may affect the Group's business, financial condition or results of operations or the Group's ability to fulfil its obligations under the Notes.

RISKS RELATING TO THE GROUP'S BUSINESSES

Risks relating to the Group's Transport Infrastructure Construction and Operations Business

Revenues from the Group's transport infrastructure construction and operation business may be affected by factors beyond the Group's control.

Toll collection on roads is one of the principal sources of revenue for the Group's transport infrastructure construction and operations business. The toll collection on any road project is dependent on, among other things, the number of paying vehicles using the road, the level of tolls charged, competition from alternative routes, natural disasters and the continued fitness of the road or tunnel for bearing traffic volumes. Traffic volumes and toll revenues may be directly or indirectly affected by factors such as integration with other parts of the city and other road networks, fuel prices, inflation, interest rates, taxation, the quality, proximity and toll rates of alternative tunnels or roads and other competing modes of transport, social stability, outbreak, epidemic and/or pandemic of infectious or contagious diseases and/or other adverse public health developments, toll fee policies and other political or economic developments in the PRC. There can be no assurance that future developments in the PRC economy will not adversely affect, directly or indirectly, traffic volumes or the toll revenues derived from the operation of the toll road or tunnel projects.

A decline in traffic volume may adversely affect the revenue and earnings of the Group's toll road business.

Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation, outbreak, epidemic and/or pandemic of infectious or contagious diseases and/or other adverse public health developments, toll fee policies and environmental regulations.

The recent increase in transport capacity of railways has impacted the overall highway transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, have hindered traffic growth on the expressways. Additionally, the implementation of fuel tax reforms by the PRC authorities has caused prices of petroleum products sold in the PRC to increase. To the extent that fuel shortages or increasing fuel prices reduce the volume of traffic, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

Competing roads and bridges and alternative modes of transportation may also affect the Group's toll road operations. There is no assurance that new competing roads will not be operational to divert traffic and other existing competing roads or modes of transportation will not significantly improve their services and consequently will not materially adversely affect the revenue, results of operations and financial condition of the toll road business of the Group.

The Group's toll road revenue is also dependent upon the toll rates set by local government authorities and other factors.

Toll rates to be charged by the Group with respect to its toll roads in the PRC are set by various local government authorities, although the Group, in conjunction with its joint venture partners, may propose toll rate changes. Such toll rates are determined by the local authorities on a case-by-case basis, taking into consideration factors such as loan repayment terms, the inflation rate, affordability and traffic volume. For certain projects, the government authorities may also consider the shareholders' rate of return on the investments when evaluating whether to allow a higher toll rate. There can be no assurance that any future application for toll increases by the Group will be granted at all or in a timely manner or, if granted, will not be subject to certain conditions. Further, there can be no assurance that the relevant authorities will not request a toll reduction or close any of the existing toll stations.

The PRC Government has announced its intention to reduce toll stations in urban areas and certain PRC local governments have introduced discounted annual passes for vehicles which, if implemented in relation to the Group's toll road projects, may adversely affect the operating results of such projects. In addition, in recent years, the PRC Government has introduced some preferential treatment by eliminating the toll collection on passenger vehicles with up to seven seats during certain holiday seasons, which has adversely affected the Group's revenue from its toll road business during the relevant periods. Particularly, congestion during holiday seasons partly as a result of such preferential treatment has further reduced the traffic volume of vehicles subject to toll collection, which may further adversely affect the Group's revenues from its toll road business.

The Group's toll road and bridge operations may be subject to operational risks.

The operation of toll roads and bridges generally involves a low level of operational risk as long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The toll road and bridge operations of the Group may nonetheless be materially adversely affected or interrupted by a variety of events, such as major traffic accidents, natural disasters, outbreak, epidemic and/or pandemic of infectious or contagious diseases and/or other adverse public health developments, toll fee policies, serious adverse weather conditions and other unforeseen circumstances. If the toll road and bridge operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, the results of operations and financial condition of the Group may be materially adversely affected. In the first half of 2020, to support the recovery of economy and resumption of work from the impact of the COVID-19 pandemic, according to the decision made by the State Council of the PRC, toll fees for toll roads in the PRC are suspended from 17 February 2020 to 6 May 2020, which brought decrease in the Group's toll fee revenue. Save as disclosed above and as at the date of this Offering Circular, no material events of this nature have adversely affected the operation of any of the Group's toll roads or bridges.

Due to the Group's high degree of operating leverage and high fixed costs, a decrease in revenues of the Group could result in a proportionately higher decrease in its net income.

The transportation infrastructure construction and operations business are generally characterised by a high degree of operating leverage. In addition, due to high fixed costs, including transportation infrastructure construction costs and payments made in connection with aircraft leases, the expenses of the Group's transportation infrastructure construction and operations business do not vary proportionately with the number of passengers using the Group's services, while revenues generated from the Group's transportation infrastructure construction and operations are typically directly related to the number of passengers serviced. The Group may not be able to transfer all of its costs to its customers through higher toll rates or ticket prices. Accordingly, a decrease in revenues could result in a proportionately higher decrease in net income.

Any aviation fuel shortages or any increase in domestic or international aviation fuel prices may adversely affect the Group's financial condition and results of operations.

The Company started its air transportation business in 1988. The availability of aviation fuel affects the Group's financial condition and results of operations. As at the date of this Offering Circular, the Group has not materially suffered from significant aviation fuel shortages. If severe aviation fuel shortages occur in the future and the Group is forced to delay or cancel flights due to a fuel shortage, its operational reputation among passengers as well as the results of its operations may suffer. In addition, aviation fuel costs constitute a significant portion of the Group's operating costs with respect to its aviation business. As such, the Group is sensitive to aviation fuel price fluctuations. Aviation fuel prices are susceptible to, among other factors, political unrest in various parts of the world, Organisation of the Petroleum Exporting Countries (OPEC) policies, the rapid growth of the economies of certain countries, including the PRC and India, the levels of fuel inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather conditions. These and other factors that affect the global supply and demand for aviation fuel are out of the Group's control. In particular, the recent political uncertainty in the Middle East continues to cause fluctuations in aviation fuel prices and may result in increases in aviation fuel prices. Furthermore, since China implemented a more market-driven pricing mechanism for ex-refinery jet fuel from 1 August 2011, greater volatility has been introduced to the Group's fuel cost and earnings. Due to the highly competitive nature of the aviation industry and government regulation on airfare pricing and the level of aviation fuel surcharges, the Group may be unable to fully or effectively pass on to its customers any increased aviation fuel costs that it may encounter in the future, which could negatively affect its financial performance.

Airline alliances may lead to a fiercely competitive environment and the Group may not obtain marketing alliances.

As at 30 June 2020, a substantial number of international airlines were allied. Not only do alliances provide a network of connectivity and convenience for international passengers and international packages, they also provide convenient market-branding to facilitate travellers making inter-airline code share connections within countries. Airlines joining an alliance also enjoy the benefit of cost reductions by the sharing of sales offices, maintenance facilities, operational facilities, operational staff and certain investments and purchases. Therefore, joining an alliance or developing strategic partnerships with other airlines is critical for unaligned airline companies. As at the date of this Offering Circular, the Group has not joined any alliance programme. There is no assurance that the Group will be able to join any alliance or strategic partnership in the near future.

Aviation accidents, terrorist attacks or the fear of such attacks and adverse public health developments, even if not made directly on the aviation industry, could negatively affect the Group and the aviation industry as a whole.

The aviation industry as a whole has been beset with high-profile terrorist attacks, most notably on 11 September 2001 in the United States. The CAAC has also implemented increased security measures in relation to the potential threat of terrorist attacks. In addition, the aviation industry is also subject to high-profile accidents such as the disappearance of Malaysia Airlines Flight MH370 on 8 March 2014 and crash of Lion Air Flight JT610. Aviation accidents and terrorist attacks, even if not made directly towards the Group or on the aviation industry, or the fear of or the precautions taken in anticipation of such accidents and attacks (including elevated threat warnings or selective cancellation or redirection of flights) could adversely affect the Group and the aviation industry. In addition, aviation accidents and potential or actual terrorist attacks may result in substantial flight disruption costs caused by grounding of fleet, significant increases of security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and revenue.

Outbreak, epidemic and/or pandemic of infectious or contagious diseases and/or other adverse public health developments may also bring adverse impacts on the aviation industry. In the first half of 2020, due to the COVID-19 pandemic, the demands for civil air traffic decreased remarkably, resulting in adverse impacts on the Group's operation results in aviation industry. The scheduled flights of Sichuan Airlines and Chengdu Airlines decreased from 107,033 and 20,596 for the six months ended 30 June 2019 to 65,188 and 15,161 for the six months ended 30 June 2020, respectively.

There can be no assurance that the Group will not be affected by such events or that the amount of its insurance coverage will be adequate in the event such circumstances arise and any such event could cause a substantial increase in the Group's insurance premiums. In addition, any future aircraft accidents or incidents, even if fully insured, may create a public perception that the Group is less reliable or safe than other airlines, which could have an adverse impact on the Group's reputation and aviation business.

Airport, transit and landing fees and security charges, along with other costs which airlines must pay to ensure air traffic security, may increase further.

Airport, transit and landing fees, along with security charges and costs, represent a significant portion of the operating costs of the Group's aviation business and directly affect the fares that it must charge its passengers in order to operate cost-effectively. There can be no assurance that such costs will not increase in the future or that the Group will not incur additional costs. New costs could arise if, for example, airports levied noise or landing charges or fees based on environmental criteria such as aircraft noise or emission levels, or if airlines were required to assume additional security responsibilities.

Future events or developments, such as terrorist acts or other conflicts, could also result in heightened security regulations for air traffic. Any of these developments could cause operating costs to increase. If the Group is unable to pass on increases in fees, charges or other costs to its customers, these increases could have a material adverse effect on its business, financial condition and results of operations.

The Group's failure to maintain a high utilisation rate for each aircraft may adversely affect its profitability and reputation.

One of the key elements of the Group's profitability with respect to its aviation business is to maintain a high utilisation rate for each aircraft. As at 30 June 2020, the Group's utilisation rate for each aircraft is 8.45 hours per day for Sichuan Airlines and 4.63 hours per day for Chengdu Airlines.

However, the Group's operations may suffer from inferior quality infrastructure and facilities of less developed airports which would affect the operational efficiency and delay turnaround time of the aircraft. This would affect the Group's ability to maximise aircraft utilisation and could adversely affect its financial results. Pursuing new routes and increasing flights on current routes could also increase the risk of delays in the Group's flight schedule. In addition, unexpected incidents such as travelling restrictions resulting from global disease pandemic such as COVID-19 will also affect the Group's aircraft utilisation rate. For the six months ended 30 June 2020, the average daily utilisation rate of Sichuan Airlines was 5.4 hours, decreased by 4.32 hours as compared with the six months ended 30 June 2019. The average daily utilisation rate of Chengdu Airlines was 4.63 hours for the six months ended 30 June 2020, decreased by 3.63 hours as compared with the six months ended 30 June 2019.

High aircraft utilisation also increases the risk that, in the event that an aircraft falls behind schedule during the day, it will remain behind schedule for the rest of the day, which can disrupt timely operations and lead to passenger dissatisfaction. Therefore, such delays may reduce the operational efficiency and utilisation rate of the Group's aviation business, adversely affecting its profitability and reputation.

There is no assurance that the Group will maintain a high utilisation rate for each of its aircraft.

The Group's aviation business is dependent on the PRC aviation infrastructure, which is currently under development and may be insufficient to meet increased air traffic volumes.

The rapid increase in air traffic volume in the PRC in recent years has put pressure on many components of the PRC commercial aviation industry, including air traffic control systems, the availability of qualified flight personnel and airport facilities. However, the ability of the Group to increase utilisation rates and to provide safe and efficient air transportation in the future will depend in part on factors such as the improvement of national air traffic control and navigation systems and ground control operations at PRC airports, all of which are beyond the control of the Group.

In particular, its ability to provide safe air transportation depends on the availability of qualified and experienced pilots in the PRC and the improvement of maintenance services, national air traffic control and navigational systems and ground control operations at PRC airports. If any of these are not available or adequate, the Group's ability to provide safe air transportation will be compromised and its financial condition and results of operations may be adversely affected. In addition, insufficient aviation infrastructure may result in relatively high amounts of time on the ground during turnaround, which may adversely affect the perception of the service provided by the Group and, consequently, its operating results.

The Group's airline catering service business and reputation may be affected by product liability claims, food safety concerns, litigation, customer complaints, product tampering, quality control concerns or adverse publicity in relation to its food products.

The Group's provision of airline catering service involves an inherent risk of its products being found to be unfit for human consumption, causing illness or failing to pass third-party tests. Food products may be rendered unfit for consumption due to product contamination or degeneration, illegal tampering by unauthorised third parties or other problems arising during the various stages of procurement, production transportation and storage. The occurrence of such incidents, including incidents such as the recent scandal involving the detection of plasticiser in food products manufactured by other companies, may result in customer complaints or adverse publicity causing serious damage to the Group's reputation, as well as product liability claims against the Group which may result in a loss in its sales. Furthermore, adverse publicity, whether it is valid or not, may adversely affect the overall consumer food industry, consumer confidence in the Group's products and sales. As at the date of this Offering Circular, the Group has not received any material customer complaints or material goods return requests or experienced any product recall due to product quality issues. However, there is no assurance that the Group will not face any product liability claims or a product recall in the future.

Risks relating to the Group's General Trading Business

The fluctuation in commodities price may pose uncertainty to the Group's business.

The Group's general trading business primarily focuses on trading in gasoline and diesel, salt, concrete and other civil engineering materials. Revenue from general trading contributes a substantial part in the Group's revenue. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's operating income from general trading accounted for 53.1%, 51.1%, 47.8%, 56.4% and 43.0% of its total operating income from principal businesses, respectively.

The price, supply and demand of gasoline and diesel, salt, concrete and other civil engineering materials are directly affected by government policies and macroeconomic factors, including currency exchange rates, interest rates and the level of inflation, global economic trends, inventory levels, actions of participants in the commodity markets and other factors beyond the Company's control, could result in a significant oversupply or decreased demand. The competition is increasingly fierce and profit margins are gradually narrowing and are expected to further reduce due to the slowdown of economy. There can be no assurance that the market price of any or all commodities will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support the Group's profitability.

In addition, fluctuations in the performance of the related downstream industries will cause the demand for the Group's energy-related products, and consequently the selling prices of the Group's products, to fluctuate significantly. Material fluctuations in the Group's general trading business could cause the Group's results of operations to vary significantly and may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's salt trading business has suffered from excess capacity and oversupply in the salt chemical industry in the PRC.

In recent years, significant expansion in production capacity and oversupply of salt chemical products have caused a significant decrease in the market prices and profit margins of salt chemical products within the PRC. Although the Group's salt trading business contributes a small portion of revenue and profit of the Group, this has materially and adversely affected the business, financial condition, results of operations of the Group's salt-trading business.

The PRC government from time to time issues regulations to curb overcapacity in the relevant industries in the PRC. On 6 October 2013, the State Council issued the Guiding Opinions of the State Council on Resolving Serious Production Overcapacity Conflicts（國務院關於化解產能嚴重過剩矛盾的指導意見), which controls the increase of production capacity in the industries with production overcapacity issue and prohibits local governments from approving an increase in production capabilities. There can be no assurance that the Group will be able to continue to compete successfully in such economic environment and that the relevant PRC regulations will not have a material adverse effect on its business, results of operations and financial condition.

Risks relating to the Group's Power Generation and Supply Business

The Group's revenue for its power generation and supply business is primarily derived from power sales and may be adversely affected by reductions in tariffs, or by reductions in net generation volume.

Power sales account for a substantial part of the Group's revenue from its power generation and supply business. The sale of power is primarily governed by two factors: on-grid tariffs and the output of each of the Group's power plants. The Group's revenues with respect to its power generation and supply business depend upon each of its power plants' net generation volume being sold to the grid companies, which in turn is subject to the local demand for power and the amount of generation capacity available in the grids. The dispatch centre under the jurisdiction of each applicable power grid company oversees such dispatch of power. The dispatch of power is typically governed by a dispatch agreement and an electricity sale and purchase agreement between a power plant and the applicable power grid company made in accordance with governmental dispatch regulations and other relevant regulations relating to grid management and administration. As the Group competes with other power plants in the areas in which it operates, there is no assurance that the dispatch centres will not give dispatch priority to other power plants under the jurisdictions of the relevant power grid companies. Reductions in the Group's net generation volume may materially and adversely affect its revenue and profit.

Power producers in the PRC are required to sell their electricity directly to the relevant grid companies at the on-grid tariffs, which are determined by the NDRC and relevant provincial government authorities for the planned output and through negotiation or a bidding process in respect of excess generation volume. In addition, the planned output of electricity to be dispatched by any power plant to the relevant grid company is also determined by the relevant provincial government authorities (such as Sichuan Provincial Economic and Information Commission in which the Group primarily operates). As a result, the Group's revenue from its power generation and supply business is heavily influenced by the PRC Government, so that the supply and demand of power in Sichuan Province and any reductions in either the on-grid tariffs or the Group's net generation may reduce the Group's revenue and have a material and adverse effect on its business, financial condition and results of operations.

The Group's power generation and supply business is subject to the Group's ability to obtain and maintain necessary approvals, permits and agreements.

The Group invests in, develops, and manages various renewable energy power plants in China. The process of identifying potential opportunities for the development of power plants, obtaining government and other approvals, completing acquisition or construction and commencing commercial operations requires time and effort and incurs costs. The Group's ability to expand and its continued success depend on its ability to secure, in a timely and cost-effective manner, the necessary PRC Government and other approvals, required financing, power sales and dispatch agreements, construction contracts, fuel supply and transportation and power transmission arrangements.

Any delay or failure to secure any of the required approvals, permits or agreements may increase costs or delay or prevent commercial operation of the affected power plant. There is no assurance that the Group's projects will secure all necessary approvals, permits or agreements in a timely manner, or at all.

The construction of hydropower, wind and biomass plants are dependent on natural conditions.

The Group's construction projects for hydropower, wind and biomass power plants are subject to the availability of locations with suitable weather conditions or appropriate terrain or the availability of biomass. Accordingly, the number of feasible sites available may be limited, particularly as growth in the number of power plants can restrict the number of sites available for additional plants. If these constraints on the establishment of hydropower, wind and biomass power plants were to intensify, or if the sites ultimately chosen to develop do not perform as expected, this could adversely affect the business of the Group's clients and, in turn, impact on the Group's business, financial performance and further growth.

The Group must obtain the local grid company's consent for grid connection.

The Group must obtain the local grid company's consent to connect the Group's power plants to its grid. Before obtaining the project approval of the NDRC or the relevant provincial NDRC, the Group must obtain the relevant local grid company's consent to connect the Group's power plants to its grid. Obtaining the grid company's consent to such connection may depend on a number of factors, including the availability and the reliability of existing grids, progress of construction and upgrade of local grids, the distance of the Group's proposed wind sites from the local grids and the cost of these grid connection facilities. Furthermore, other renewable energy facilities of the Group's competitors located in sites near the Group's power plants may compete with the Group to secure grid connection. Many of these factors are beyond the Group's control, and there is no assurance that it will be able to obtain all necessary consents for its new power projects in a timely manner, or at all. Failure to obtain grid company consent to connect to its grid may delay or prevent the development of the Group's power projects.

The electricity sales of the Group's renewable power plants depend on local grid companies to purchase electricity and provide electricity transmission and dispatch services.

According to the Renewable Energy Law and its implementing rules, grid companies generally must purchase all electricity generated by renewable energy producers within their grids subject to certain requirements. The electricity sales of the Group's renewable power plants benefit from the mandatory purchase obligations of grid companies imposed upon by the Renewable Energy Law. However, there is no assurance that such favourable statutory requirement will not be eliminated or changed in the future, whether due to policy changes at the national or local level in the PRC, the wind energy or other renewable energy sector maturing to reach a level playing field to compete with coal power, or any other reasons. Furthermore, as the statutory purchase obligation is a relatively new concept under PRC laws, changes to or uncertainties in the methods which local government chooses to implement this requirement on grid companies may also negatively impact on the statutory support from which the

Group currently benefits. Any changes to or elimination of the statutory purchase obligations or other support measures relating to them may materially and adversely affect the sales of electricity generated from the Group's power plants, the Group's business prospects and results of operations.

Although, according to the Renewable Energy Law and its implementing rules, grid companies generally must provide grid connection services to renewable energy producers within their grids, some of the Group's power plants are located in remote areas where the grids may not be able to take all the electricity that the Group's power plants generate when operating at full capacity. The Group typically relies on local grid companies to construct and maintain the infrastructure and provide the electricity transmission and dispatch services necessary to connect the Group's power plants to the grids, and there is no assurance that the local grid companies will do so in a timely manner, or at all.

In addition, the transmission and dispatch of the full output of the Group's power plants may be curtailed as a result of various grid constraints, such as grid congestion, restrictions on transmission capacity of the grid and restrictions on electricity dispatch during certain periods. As some of the electricity generated from the Group's power plants is not stored and must be transmitted or used once it is generated, some of the power plants will be turned off and stop producing electricity during the period when electricity is unable to be transmitted due to grid congestion or other grid constraints. Such events could reduce the actual net power generation of the Group's power plants.

Furthermore, electricity transmission lines may experience unplanned outages due to system failures, accidents and severe weather conditions, or planned outages due to repair and maintenance, construction work and other reasons beyond the Group's control.

As a result, securing connection to grids depends on a number of factors that are beyond the Group's control. It cannot be assured that the Group will be able to secure all necessary connection to local grids in a timely manner, or at all. Failure or delays to secure grid connection, or the curtailment of the Group's power plants' output levels, could reduce its electricity output and limit operational efficiencies, which in turn could have a material adverse effect on its business, financial condition or results of operations.

The seasonal change in water supply may affect the output and earnings of the power generation plants of the Group.

As at 30 June 2020, the Group held controlling equity interests in 132 hydropower plants and held non-controlling equity interest in several national large-scale hydropower plants such as Xiangjiaba Hydropower Plant（向家壩水電站）, Xiluodu Hydropower Plant（溪洛渡水電站）, Baihetan Hydropower Plant（白鶴灘水電站）, Wudongde Hydropower Plant（烏東德水電站）. The power generation and results of operations of hydropower plants are heavily affected by hydro resources and the seasonal change in water supply. Meanwhile, the majority of the hydropower plants in which the Group holds controlling interests are small in scale (with an installed capacity of 50,000 kW or less) and their ability to adapt to changes in reservoir capacity requirements is limited. If the water supply for the Group's hydropower plants does not improve in the future, the power generation and sales of the Group and its business, financial condition and results of operations of power generation and sales may be adversely affected.

In addition, in selecting sites for the development of its hydropower or solar power plants, the Group makes its decisions based on the meteorological and topographical data of the proposed area as well as the on-site exploration conducted by the Group's technicians. There can be no assurance that the actual natural conditions will conform to the historical measured data or that the assumptions the Group makes during its assessment are correct. Moreover, even if actual natural conditions are consistent with the Group's assessment, such conditions may be affected by variations in weather patterns, which may change over time to the detriment of the Group's projects. As a result, the power generated by the Group's hydropower and solar power projects may fall below the Group's expectations, which could in turn materially and adversely affect the Group's business, financial condition and results of operations.

Risk of raising water prices will impact the Group's profit margins.

Water prices are subject to various laws and regulations. To ensure that water resources in the PRC are managed appropriately and to promote efficient water use, entities and individuals who collect water directly from rivers, lakes or underground water supply must apply to the water administration departments for a water collection licence, extract water in accordance with the provisions of the water collection licence and pay a water resource fees pursuant to the Water Law of the People's Republic of China (中華人民共和國水法), Measures on the Implementation of Water Law of the People's Republic of China in Sichuan Province (四川省《中華人民共和國水法》實施辦法). Sichuan Province determines the price of water in accordance with the total water installation capacity and the sources of water. The Group's profit margins will be affected if the PRC Government decides to increase water fees in line with the overall strategy to create an energy-saving society.

Risk of relocation of local communities affected by the flooding resulting from hydropower projects.

Hydropower projects require the construction of storage dams. The surrounding reservoir areas may become submerged by the flooding resulting from the hydropower projects. Handling the relocation of people who live in affected reservoir areas is a matter of great importance to both the Group and the affected communities. Relocation is currently handled by an external company and funded by the Group through the Sichuan Government. The Group's reputation, day-to-day management activities and production may be impaired if the relocation work is not handled properly.

Risks relating to the Group's Media and Culture Business

The Group's media and culture business will be adversely affected if the Group ceases to be the sole distributor of textbooks for the nine-year compulsory education, either in whole or in part, for primary and lower secondary schools in Sichuan Province.

According to the Directives on Certain Matters Regarding the Expansion of Pilot Areas for the Bidding of Publishing and Distribution Rights of Primary and Secondary School Textbooks (Guo Han [2005] No.15)((國務院關於擴大中小學教材出版發行招標投標試點有關問題的批復)(國函[2005]15號)), promulgated by the State Council, Sichuan Province is one of the pilot provinces of the public tender process initiated for the distribution of textbooks for all primary and lower secondary schools, and since 2005, all primary and lower secondary schools within Sichuan Province have had to go through the public tender process in order to win distribution rights.

Through public tender, one of the Group's companies, Xinhua Winshare, through its strength in logistics, wide distribution networks and experience in textbook publishing, was granted the right to be the sole distributor of textbooks for the nine-year compulsory education in all primary and lower-secondary schools by Sichuan Government. However, there is no assurance that the Group will continue to have the exclusive right to distribute textbooks, either in whole or in part, for primary and lower secondary schools in Sichuan Province when the Group's current exclusive right expires. If the Group is unable to renew the Group's exclusive distribution rights to distribute textbooks, either in whole or in part, in Sichuan Province, upon expiry of the Group's current tender term, this may have a material adverse effect on the financial condition and results of operations of the Group's media and culture business.

The Group's distribution network for supplementary materials for primary and lower secondary schools in Sichuan Province is closely linked to its distribution network for textbooks as these two lines of business largely share the same distribution network. Currently, the Group supplies supplementary materials to the same primary and secondary schools the Group distributes textbooks to, and through the same distribution network. If the Group loses its exclusive distribution rights for textbooks, sales of the Group's supplementary materials may likely be affected.

There is no assurance of continuous growth in sales of supplementary materials.

Textbook distribution in the PRC is regulated by the PRC Government. In current practice, in places where the public tender process is implemented, the exclusive distribution right for primary and lower secondary school textbooks is granted to the successful applicant. Further, there are standardised syllabuses of textbooks which are mandatory. As a result, students have no choice as to which textbooks to buy. The sales of supplementary materials are not, on the other hand, subject to such control or public tender regime. Supplementary materials are not part of the mandatory standard syllabuses, and students are at liberty to choose what to purchase and from whom. As a result, the market for supplementary materials is more fragmented than that for textbooks. There has been an increasing demand for supplementary materials in the past. However, there is no assurance that such demand will continue to increase in the future. If demand for supplementary materials is less than what the Group expects, the Group's results of operations in respect to its publishing and distribution business may be adversely affected, especially because supplementary materials, in the Group's experience, generally have a higher profit margin than textbooks.

In addition, the Group may, in the future, expand its supplementary materials distribution business outside Sichuan Province where it does not have a distribution network as established as the one it has in Sichuan Province. There is no assurance that the Group's distribution network outside Sichuan Province will match or come close to the scale of its current distribution network in Sichuan Province. Hence the Group may not be able to achieve the level of profitability that the Group expects of its expansion of supplementary materials distribution outside Sichuan Province.

The Group's merchandise and brands in relation to its media and culture business may be subject to counterfeiting or imitation, which could affect the Group's reputation, brands and revenues, and increase administrative costs.

"Xinhua Bookstore" is a well-recognised brand throughout China. The Group has made continuous efforts to develop the "Xinhua Winshare Bookstore" and "Xuan Ke Hui-Style Bookstore" brands and they have become well-recognised in Sichuan Province. However, as with many other successful brands within China, the Group's brands are susceptible to the risk of passing off and trade mark infringement. There might also be attempts by third parties to sell merchandise that closely resembles that sold by the Group. In particular, the book industry is exceptionally susceptible to counterfeiting. Third parties have been engaged in producing counterfeit books and other publication materials as well as audio-visual products. Most of these counterfeit products are of substandard quality. There is no assurance that the Group's brands and other intellectual property rights will not be infringed in the future and, if they are, that the Group will be able to effectively monitor each of the geographical locations in which the Group's merchandise is sold to prevent counterfeit products from being sold before they impact upon the Group's revenues. More importantly, counterfeiting could have an adverse impact upon the Group's brands and reputation among the Group's customers. Finally, the detection and prosecution of counterfeit merchandise may involve substantial administrative and legal costs, which may have an adverse impact upon the Group's financial condition and results of operations of its media and culture business.

Strict price control is imposed upon textbooks.

Generally, prices for books of general interest and supplementary materials are decided by market demand. However, the PRC Government imposes relatively strict price controls over textbooks. The local price bureau, together with the local Press and Publication Bureau, is collectively responsible for determining final prices. These price controls mean that the Group does not have control over the price at which the Group can distribute textbooks. In addition, since the Sichuan Province Price Bureau and the Sichuan Province Press and Publication Bureau set the prices for textbooks each school term, such

prices will be subject to change regardless of the Group's actual costs. If the fixed prices are set below the costs actually incurred, the Group may suffer a loss and, consequently, the Group's financial condition and results of operations may be adversely affected.

Sales of books of general interest and audio-visual products are dependent on consumer spending patterns.

Sales of periodicals and books of general interest (other than textbooks for primary and lower-secondary students) as well as audio-visual products have historically been dependent on consumer spending patterns and, in the Group's experience, are particularly sensitive to downturns in the economy. Factors such as consumer confidence, spending patterns, and other factors beyond the Group's control may also affect the Group's business. A decline in consumer spending on books of general interest and audio-visual products may have an adverse effect on the Group's retail business, and thus its financial condition and results of operations, as well as the Group's ability to implement its expansion program.

Risks relating to the Group in General

If the KW Note Issuer, the Guarantor or the Company is unable to comply with the restrictions, covenants and payment obligations in their respective debt agreements (if any), or the Notes, the Guarantee, the Trust Deed or the Keepwell Deed, there could be a default under the terms of these agreements, or the Notes, the Guarantee or the Keepwell Deed, which could cause repayment of the KW Note Issuer's, the Guarantor's or the Company's debt to be accelerated.

If the KW Note Issuer, the Guarantor or the Company is unable to comply with the restrictions, covenants and payment obligations in the Notes, the Guarantee, the Trust Deed or the Keepwell Deed 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 the debt agreements, the holders of the debt could terminate their commitments to lend to the KW Note Issuer, the Guarantor or the Company, 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 KW Note Issuer, the Guarantor or the Company under one debt agreement may cause the acceleration of repayment of debt or result in a default under other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the KW Note Issuer's, the Guarantor's or the Company's assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that it would be able to find alternative financing. Even if the KW Note Issuer, the Guarantor or the Company could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the KW Note Issuer, the Guarantor or the Company.

The Group's business requires significant capital expenditures and the execution of the Group's capital expenditure plans is subject to uncertainty.

The Group's core businesses, in particular its transportation infrastructure construction and operation business and its power generation and supply business, require substantial capital investment. The Group will require additional financing to fund capital expenditures, to support the future growth of its businesses and/or to refinance existing debt obligations, particularly for the acquisition of new tolls, highways, bridges, aviation hubs, power plants and distribution networks and the development and expansion of such tolls, highways, bridges, aviation facilities, power plants and distribution networks in the PRC.

The Group generally formulates and updates its capital expenditure and investment plans on an annual basis, taking into account various factors. The Group's capital expenditure plans, however, are subject to a number of factors, some of which are beyond its control, including its ability to generate sufficient

cashflows from its operations and the availability and terms of external financing. If the Group is unable to obtain acceptable financing to fund necessary capital expenditures in the future, the results of its operations and its financial condition could be adversely affected.

The Group incurred substantial capital expenditures for ongoing projects, such as constructing and maintenance of toll roads, railways and bridges and purchasing aircrafts. These ongoing projects are subject to delays and cost overruns inherent in transportation infrastructure construction and operation business and power generation and supply business. As at the date of this Offering Circular, no material events of this nature have materially and adversely affected the operation of any of the Group's core businesses. There is no assurance that such an event would not happen in the future.

The Group may not have access to external financing, or such access on acceptable terms, and its growth prospects and future profitability may be adversely affected as a result.

The Group's core businesses require substantial capital investment. The Group has historically required and expects that in the future it will continue to require substantial external financing to fund its capital expenditures through various channels, such as bank and other borrowings, equity financing and debt issuances. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions;
- changes in monetary policies with respect to bank interest rates and lending policy;
- interest rates and credit availability from banks or other lenders;
- investor confidence in the Group, success of the Group's businesses;
- the Group's ability to obtain the PRC Government approvals required to access domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the rest of the PRC generally.

There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group. If the Group is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake new projects or implement them as planned. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the service the Group provides, and adversely affect the Group's business, results of operations and financial condition.

The Company's controlling shareholder is able to exercise substantial influence over the Company's corporate policies, strategies and operations, and may direct the outcome of the Company's corporate actions.

As at the date of this Offering Circular, the Company is wholly owned and controlled by Sichuan SASAC. Although in the past the Group derived a number of significant benefits from its relationship with Sichuan SASAC and Sichuan Government as described elsewhere in this Offering Circular, including benefits derived from Sichuan SASAC's injections of assets into the Group's business, the Group does not control the timing or value of these asset injections. The Group cannot assure prospective investors that Sichuan SASAC will continue to inject assets into the Group's business in a fashion that benefits the Group.

In particular, liability can be injected into the Group through merger or acquisition and there may be certain liability or indebtedness defaults relating to these asset injections by the relevant subsidiaries. As at the date of this Offering Circular, the Group believes that any such incidents of default do not affect the Group's business, operation or financial position materially and adversely. The strategic goals and interests of Sichuan SASAC may not always be aligned with the Company's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a diversified shareholder base. The interests of the Company's controlling shareholder may also differ from those of the holders of the Notes.

The Group's expanded overseas operations may subject the Group to additional risks and costs.

The Guarantor was established under the laws of Hong Kong in 2001 to serve as an offshore financing channel for the Group to promote its overseas business development and financing opportunities, and international capital operation and cooperation. From time to time, the Group may explore opportunities overseas to supplement its domestic business and operations. Overseas operations may expose the Group to various risks associated with conducting business in foreign countries and territories, which may include, among others:

- failure to anticipate changes to the competitive landscape in overseas markets due to lack of familiarity with the local business environment;
- the infringement of intellectual property rights in foreign jurisdiction;
- political risks, including civil unrest, acts of terrorism, acts of war, regional and global political or military tensions and strained or altered foreign relations, which may lead to interruptions in the Group's business operations and/or loss of property;
- economic, financial and market instability and credit risks;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- inability to obtain or maintain the requisite licenses, permits, approvals and certificates in foreign jurisdictions;
- economic sanctions, trade restrictions, discrimination, protectionism or unfavourable policies against China-based companies;
- difficulties with staffing and managing overseas operations after localization, including with respect to compliance with local labour and immigration laws and regulations;
- exposure to litigation or third-party claims outside the PRC;
- foreign currency exchange controls and fluctuations;
- uncertainties in the interpretation and application of tax laws and regulations, more onerous tax obligations and unfavourable tax conditions; and
- cultural and language difficulties.

As a result of the above factors, the Group's operations in overseas markets may take longer than expected to ramp up and reach expected revenue and profit levels, thereby affecting the Group's overall profitability.

The Group may cease to enjoy preferential tax treatment, tax exemptions and government grants, the loss of which, or a reduction in which, could reduce the Group's profits.

Pursuant to the Circular on Continuing Preferential Policies for Value-added Tax on Publicity and Cultural Undertakings (Cai Shui [2018] No.53)(關於繼續宣傳文化增值稅優惠政策的通知)(財稅[2018] 53號) issued by the MOF and the SAT, the Group is entitled to a VAT waiver in respect of its book wholesale and retail segment from 1 January 2018 to 31 December 2020. However, there is no assurance that the VAT waiver will not be withdrawn or revoked by the PRC Government or become inapplicable before the expiry of the current exemption term, or the VAT waiver will be continued after the current exemption term. If the Group ceases to enjoy such preferential tax benefits or if the scope of the preferential treatment is scaled back, the Group's financial conditions and results of operations may be adversely affected.

Benefiting from the "Western Development Programme", certain of the Group's operating subsidiaries in Chongqing and Sichuan were subject to a 15% EIT rate, as compared to a statutory rate of 25% under the EIT Law. In addition, the Group also received various forms of government grants which amounted to RMB603.0 million, RMB1,007.0 million, RMB984.5 million, RMB356.8 million and RMB442.8 million in 2017, 2018 and 2019 and in the first half of 2019 and 2020, respectively.

However, there is no assurance that the Group will continue to receive the same preferential tax treatments or government grants, since the relevant government policies may change over time. Any loss or reduction in preferential tax treatments or government grants could have an adverse effect on the Group's results of operations, prospects and financial position.

The Group's construction of transportation infrastructure and power plants is affected by factors beyond the Group's control, and delays may adversely affect the Group's results of operations.

The development of an investment project and the construction of transportation infrastructure or a power plant, including its ancillary facilities, such as transmission lines or substations, may be materially and adversely affected by many factors commonly associated with the construction of infrastructure projects that are beyond the Group's control, including shortages of equipment, materials or labour, work stoppages, labour disputes, weather interference, natural disasters, accidents, and unforeseen mechanical, technical, engineering, design, environmental or geological problems, any of which could give rise to delays or cost overruns.

Furthermore, the construction of most of the Group's transportation infrastructure, power plants, transport and other ancillary facilities is or will be undertaken by third-party contractors. There can be no assurance that such contractors will be able to complete construction in a timely or cost-effective manner or that the Group will be able to adequately control or monitor the contractors to ensure the quality of such construction.

Construction delays can result in the loss or delayed receipt of revenues, disputes with contractors and payment of damages and penalties by the Group under the relevant construction contracts, an increase in financing costs, or the failure to meet profit and earnings projections. In addition, the failure to complete the construction of the relevant projects according to specifications could result in reduced efficiency, higher operating costs and reduced or delayed earnings.

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 without reference to the joint venture partners and, 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 as at the date of this Offering Circular, the Group has not experienced any significant problems with its partners, no assurance can be given that disputes among its partners will not arise in the future that could adversely affect such projects.

The Company is a holding company with no operations and relies on its operating subsidiaries to provide it with funds necessary to meet its financial obligations and to pay dividends.

The Company is a holding company with no material direct operations. Its principal assets are the equity interests it directly or indirectly holds in its operating subsidiaries, which own its operating assets. As a result, it is dependent on dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations and to pay dividends. The Company's subsidiaries are legally distinct from the Company and are under an obligation set out by the Sichuan Government to pay by way of dividends no less than 20% of its profit to the Company. There is no assurance that such requirement will not be amended or terminated in the future, which may have a materially adverse effect on the Group's financial condition.

The Group's business is subject to extensive government regulation and unforeseeable changes in rules and regulations by the PRC Government.

Certain of the Group's businesses are highly regulated. As a result, the Group may face significant constraints on its flexibility and ability to expand its business operations or to maximise its profitability. In addition, the regulations and policies applicable to the Group's business may change from time to time. Changes in regulations and policies may adversely affect the Group's operations. The cost of complying with government regulations may become substantial. Although the Group has obtained all the approvals required to conduct its present operations, a failure or delay in obtaining any additional regulatory approvals required in the future could harm the Group's business and financial results.

In particular, the PRC is undergoing rapid economic development, and government regulations and policies are regularly promulgated to address such development. For example, unfavourable changes in PRC Government policies that affect the transportation infrastructure industries could adversely affect the Group's transportation infrastructure construction and operation business and, in turn, its results of operations or financial condition.

In addition, the PRC commercial aviation industry is subject to a high degree of regulation by CAAC. Regulations and policies issued or implemented by CAAC encompass substantially all aspects of the PRC commercial aviation industry, including route allocation, air fares, the level of aviation fuel surcharges, aircraft acquisition, aircraft registration and aircraft airworthiness certification, aviation fuel prices, standards for aircraft maintenance and airport operations, and administration of air traffic control systems and certain airports.

Furthermore, provincial and local authorities as well as agencies also regulate many aspects of the power operations, including the connection and dispatch of electricity generation, the setting of on-grid and retail tariffs, compliance with power grid control and dispatch directives, environmental, safety and health standards and emissions controls. The PRC's power generation industry has undergone, and will continue to undergo, regulatory reform. For instance, in July 2003, the State Council issued the Tariff Reform Scheme（電價改革方案）which sets forth the targets, principles and main reform measures for the electricity tariff, and three of its corresponding implementation regulations were issued in March 2005. In January 2006, the NDRC issued the Trial Measure for the Renewable Resources Tariff and Cost Sharing（可再生能源發電價格和費用分攤管理試行辦法）which provided for the reasonable distribution of on-grid tariff for power generated utilising renewable energy. In May 2019, the NDRC issued the Circular regarding the Furtherance of On-grid Pricing Policy of Wind Power（關於完善風力發電上網電價政策的通知）which changed the pricing mechanism to government guided price, where

the benchmark on-grid tariffs are determined through competition, and shall not be higher than the government guided price of onshore wind power for all both offshore wind power and onshore wind power projects approved after 1 July 2019. In December 2009, China revised the Renewable Energy Law and further specified the mechanism for purchasing of the power generated using renewable energy, which became effective in April 2010. In July 2013, the State Council issued the Certain Opinions on Promoting the Healthy Development of Photovoltaic Industry (國務院關於促進光伏產業健康發展若干意見) and in August 2013, the NDRC issued the Notice on Promoting the Healthy Development of Photovoltaic Industry Leveraging on Prices (國家發展改革委員會關於發揮價格杠杆作用促進光伏產業健康發展的通知), pursuant to which different fixed regional benchmark tariffs have been applied to the three solar photovoltaic resource zones in China. Pursuant to Circulars on Improving the Policies on Benchmark On-grid Tariffs for Onshore Wind Power and Photovoltaic Power Generation Projects (國家發展改革委員會關於完善陸上風電光伏發電上網標杆電價政策的通知) promulgated by the NDRC on 22 December 2015 which came into effect on 1 January 2016, the benchmark on-grid tariffs for solar photovoltaic power generation projects have been adjusted to RMB0.80/Kwh, RMB0.88/Kwh or RMB0.98/Kwh, respectively, for three zones, respectively. The aforementioned benchmark on-grid tariffs apply to photovoltaic power generation projects filed and included in the annual scale management of solar photovoltaic power generation projects after 1 January 2016. Pursuant to the Circular on Adjusting the Policies on Benchmark On-grid Tariffs for Onshore Wind Power and Photovoltaic Power Generation Projects (關於調整光伏發電陸上風電標杆上網電價的通知) promulgated by the NDRC on 26 December 2016 which came into effect on 1 January 2017, the benchmark on-grid tariffs for newly built PV power generation projects after 1 January 2017 in Class-I to Class-III Resource Areas are adjusted to RMB0.65/Kwh, RMB0.75/Kwh and RMB0.85/Kwh (including tax), respectively. On 18 May 2018, the National Energy Administration (the "**NEA**") issued the Notice on Relevant Requirements Concerning Wind Power Construction Administration for the year 2018 (《關於2018年度風電建設管理有關要求的通知》), pursuant to which local governmental authorities are required to strictly carry out the guidance opinions on the development of renewable energy development released by NEA in 2017. On 5 March 2020, NEA issued the Notice on Relevant Matters Concerning Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (《關於2020年風電、光伏發電項目建設有關事項的通知》), pursuant to which competent authorities at provincial level are required to strictly carry out the guidance opinions and organise project constructions in a compliant and orderly manner, and all dispatched agencies shall strengthen the supervision of the implementation of wind power and photovoltaic power generation planning in the jurisdiction and other related matters and timely report relevant information to the NEA. It was also stated that the benchmark on-grid tariffs for PV power generation projects would be adjusted once a year based on cost variations in the future. As the on-grid tariff is still heavily regulated in the PRC, the Group's electricity power generation and supply business has been and will continue to be subject to the regulations, in particular those related to the on-grid tariff, that may be promulgated by the PRC Government from time to time.

The Group's media and culture business is also subject to extensive regulations on the book publication and distribution industries in China. Publishers are required to obtain licences and permits to engage in publishing businesses, as well as comply with complicated domestic and international industry standards. One of the key areas in which regulation affects the publication industry is with respect to the censorship of books and other publications. Although the Publicity Department is not an administrative body and has not implemented any formal regulations in relation to the content of any publications, it exercises significant influence upon the publication and distribution industries in China. The news and press authorities are entitled to apply certain approval rules in respect of the content of the publication materials. All important selections of topics relating to national security or social stability by any news and press entities, including books, audio-visual products, electronic publications and periodicals, are required to be submitted to the local news and press authorities for review and approval before being filed with the General Administration of Press and Publication (中華人民共和國新聞出版總署) for record; material on these topics is prohibited from being published without such filing. The news and press authorities have control over the types of literary material that may be published and distributed.

Areas such as religion and the military are highly politically sensitive, and specific restrictions on publication apply. This limitation could affect the ways in which the Group can respond to changes in consumer taste and preference.

The distribution of publications is subject to obtaining various licences in China. There is no assurance that the business licence and permits the Group currently has will not be revoked as a result of changes in laws and regulations in the PRC. In addition, the PRC Government may adopt more stringent laws and regulations in the future to regulate the publication and distribution industries, compliance with which may be expensive, and which may adversely affect the Group's financial condition and results of operations.

The Group may not successfully implement its growth strategy.

In connection with the implementation of its business growth, the Group's strategy, will, to some extent, depend on the identification of attractive projects, obtaining required approvals from relevant regulatory authorities in the PRC and the availability and cost of financing. The Group's ability to continue to develop its business will depend on it being able to identify favourable opportunities, reach agreements with potential joint venture partners on commercial and technical terms satisfactory to the Group, and to enter into binding contracts with such parties, and to obtain financing to fund the projects. While the Group is experienced in conducting such negotiations, the success of negotiations with respect to any particular project cannot be assured. In addition, the Group may not successfully integrate newly-acquired operations with its existing operations. Each project will also require certain government consents and approvals as part of the development process. There can be no assurance as to the timing and completion of any particular investment or joint venture arrangement or as to the availability of attractive investment opportunities.

There can also be no assurance that the Group's future projects will provide terms that are equivalent to or as favourable as the Group's existing projects. Failure to develop new projects will adversely affect the Group's growth prospects.

The Group may not successfully manage its growth.

The Group is comprised of a large number of companies operating in a variety of industries. As the Group continues to grow, its operations will become more widespread and complex. It might become increasingly challenging for the Group to direct and monitor the day-to-day operations of its different business segments, to prevent and detect fraud and to protect its assets. To meet this challenge, the Group must continue to improve its managerial, technical, operational and other resources, and to implement an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, impose financial and internal control disciplines on subsidiary and associate companies, and create value-focused incentives for the management. In addition, in order to fund the Group's ongoing operations and its future growth, the Group needs to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, the Group will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. There can be no assurance that the Group will not experience issues such as capacity and capital constraints, construction-delays, operational difficulties at new facilities or difficulties in upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. In particular, failure of the Group to implement its expansion plans in a timely manner could adversely affect its ability to maintain, expand and diversify its revenue base and to maintain the profitability of the Group. There can be no assurance that such expansion plans will not adversely affect the Group's existing operations and thereby will have a material adverse effect on its business, financial condition, operating results and future prospects and could cause the price of the Notes to fall.

The Group's operations are subject to hazards customary to various industries the Group operates in and the Group's insurance policies may not be adequate and do not cover damages and losses arising from acts of terrorism and related events.

The Group participates in operations in various industries through its subsidiaries, and its operation involves many potential risks, including breakdown, equipment failures, substandard performance of equipment, improper installation or operation of equipment, natural disasters, environmental or industrial accidents, fuel supply disruptions, labour disturbances, disputes with contractors and other business interruptions. The occurrence of any of the above may materially and adversely affect the Group's business or results of operations.

The Group maintains insurance policies covering both its assets and employees in line with general business practices in the PRC in the relevant industries, with policy specifications and insured limits which the Group believes are adequate. There are, however, certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the relevant property, as well as anticipated future revenue and, in the case of debt that is with recourse to the Group, the Group may remain liable for financial obligations related to the relevant property. Any such loss could adversely affect the operating results and financial condition of the Group.

Further, since the attacks on the United States on 11 September 2001, many insurance companies have substantially increased their premiums. Insurance companies are also seeking to exclude insurance risks and claims relating to terrorism or related activity. As a result, the Group's insurance policies do not cover damages and losses arising from acts of terrorism or related events.

The Group's insurance policies are generally renewed on an annual basis, and there is no assurance that the Group will be able to renew these policies on similar or otherwise acceptable terms, if at all. If the Group were to incur a serious uninsured loss or a loss that significantly exceeded the limits of its insurance policies, it could have a material adverse effect on its business, financial condition or results of operations.

Failure in the Group's information and technology systems may result in delays in the Group's business operations.

The Group has established a modern information management system covering areas of the Group's business operations in various industries as well as financial and accounting management. Such technology is intended to improve the efficiency of the Group's operations and assist in monitoring and controlling all aspects of the Group's operations. Any failure or breakdown in these systems could interrupt the Group's normal business operations in relation to its distribution segment and may affect the Group's usual operational and management efficiency. Any prolonged failure or breakdown may significantly impact the Group's business and, consequently, results of operations.

The Group's operation also relies on computer, communications or other technology systems, in monitoring the operation of the toll roads, power plants. In particular, the Group relies heavily on computer, communications, flight equipment and other technology systems to operate its aviation business and enhance customer service. In addition, the Group relies on other automated systems for crew scheduling, flight dispatch and other operational needs. These systems could be disrupted due to various events, some of which are beyond its control, including natural disasters, power failures, terrorist attacks, equipment failures, software failures, computer viruses and hackers. The Group has taken certain steps to help reduce the risk of some of these potential disruptions. However, the Group cannot guarantee that the measures that it has taken to reduce the risk of some of these potential disruptions are adequate to prevent or remedy disruptions or failures of these systems. Any substantial or repeated failure of these systems could result in the loss of important data, loss of revenues, and

increased costs, and generally harm the Group's business, profitability, reputation and customer services. Moreover, a failure of certain of the Group's vital systems could limit its ability to operate its flights, which could have an adverse effect on its business.

The Group may not be able to recover construction expenditures and financing costs from proprietors under the BOT and BT business model.

Under the BOT business model, a contractor receives a concession from the private or public sector to finance, construct and operate a facility as provided in the concession contract and transfers the project back to the proprietor. Under the BT business model, a contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements. The BOT and BT business models involve large amounts of capital expenditure and take years to complete. With respect to the construction of toll roads by Sichuan Railway and the construction of power plants by the Group's power generation and supply business, there can be no assurance that the Group is able to receive such construction expenditures and financing costs on time, or at all, which may adversely affect the business performance, financial condition and prospect of the Group. In addition, laws in the PRC in respect of the BOT/BT business model are relatively new and still evolving. The level of protection and means of enforcement of contractors' rights in the PRC may differ from that in other jurisdictions. Enforcement of the Group's rights as a contractor under the BOT/BT business model could be costly. In circumstances where the Group is not paid for the construction, expenditure and financing costs and the Group initiates legal actions against the proprietor for the payments, the legal procedures can be lengthy and costly, and the Group may not be fully compensated, or at all.

The Company may be engaged in public interest projects or designated debt restructuring projects which may have a material and adverse effect on the Group's financial condition and results of operations.

The Company is wholly owned by Sichuan Government. As a state-owned enterprise, it may be required to engage and participate in projects which are motivated by public interests and social welfare development, such as representing Sichuan Province in participation in the construction of railways which run across Sichuan Province. Such projects may not be commercially viable and the Group may not be able to recover its investment or achieve financial returns in a commercially desirable timeframe, or at all. The Group may receive financial support from the government for such government sponsored or initiated projects. However, such financial support may not always be available and may not be sufficient to cover the Group's investment for such government sponsored or initiated projects. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects. As at 30 June 2020, the Group has been involved in various government projects and may continue to participate in such projects from time to time. As at the date of this Offering Circular, the Group's results of operations, business and financial condition had not been adversely affected as a result, but there can be no assurance that the Group's results of operations, business and financial condition will not be materially and adversely affected as a result in the future.

The Group's operations are subject to various environmental regulations.

The Group's businesses are subject to a variety of laws and regulations promulgated by the national and local governments of the PRC. These laws and regulations govern the level of fees payable to governmental entities providing environmental services and prescribe the standards for the use, storage, discharge and disposal of chemical by-products of, and water used in, its manufacturing processes. Environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against the Group, suspension of production or a cessation

of operations. New regulations could require the Group to acquire costly equipment or to incur other significant expenses. Any failure by the Group to control the use of, or adequately restrict the discharge of, hazardous substances could subject it to future liabilities.

The Group operates in highly competitive industries.

Many of the Group's activities are carried on in highly competitive industries. For example, with respect to toll road, railway and bridge projects, there is no assurance that competing toll roads, railways and bridges will not be built or that alternate routes which avoid or lower the tolls or charge will not be devised. With respect to the aviation business, the Group competes against certain PRC airlines and international airline companies that have significantly longer operating histories, greater name recognition, more resources or larger sales networks than the Group does, or utilise more developed reservation systems than the Group. With the Group's media and culture business, the Group mainly competes directly with all retail bookstores as well as shops which sell books (including books of general interest, textbooks and supplementary materials) and audiovisual and other cultural products (*e. g.* department stores), in terms of brand name, network and geographic coverage, prices, product types and services, as well as internet sales.

The Group also competes with both local and international companies in capturing new business opportunities in the PRC. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the local companies have extensive local knowledge and business relationships and a longer operational track record in the relevant local markets than the Group.

The international companies are able to capitalise on their overseas experience to compete in the PRC markets. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors.

No assurance can be given that increased competition with respect to the Group's activities may not have a material adverse effect on the financial condition and operating results of the Group.

The Group's business, financial condition and results of operations are heavily dependent on the level of economic activity in Sichuan Province.

The Group's businesses and assets are highly concentrated in Chengdu and other regions of Sichuan Province. Accordingly, the Group's business, financial condition and results of operations have been and will continue to be heavily dependent on the level of economic activity in Chengdu and other regions in Sichuan Province. The steadily and fast development of Chengdu and Sichuan Province in the past years have greatly benefited the Group and allowed it to grow at a rapid pace during this time. However, there can be no assurance that the level of economic activity in Chengdu and Sichuan Province will continue to grow at the pace that it has achieved in the past, or at all, and in the event of any unfavourable developments, the Group's business, financial condition and results of operations may be adversely affected.

The Group's businesses may be affected by an outbreak, or threatened outbreak, of any severe contagious disease and occurrence of natural disasters which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where the Group operates, such as Chengdu, are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9 or the recent COVID-19 pandemic. For instance, three serious earthquakes hit Sichuan Province in May 2008, April 2013 and

August 2017 and resulted in significant loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 or the H7N9 avian flu, especially in the cities where the Group has operations, may result in material impacts of the Group's related business, which in turn may adversely affect its financial condition and results of operations. More recently, the COVID-19 pandemic has adversely affected global financial, foreign exchange, commodity and energy markets. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have an adverse effect on consumer confidence and the general economic conditions which the Group's business may be subject to. Governments of many countries (including the PRC) have declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. There is no assurance that such measures will be effective in ending or deterring the spread of COVID-19. As COVID-19 continues to spread globally, it may result in the extension or implementation of further restrictive measures. The resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the affected countries may result in an economic slowdown in such economies which, if prolonged, could cause a global recession.

In particular, natural disasters, such as earthquakes, snowstorms, floods, volcanic eruptions or tsunami may disrupt or seriously affect air travel activity. In 2010, a number of large-scale natural disasters occurred globally, such as earthquakes in Haiti, Mexico and Qinghai Province of China, and the volcanic eruption in Iceland in April 2010. In March 2011, Japan experienced a powerful earthquake, triggering a violent tsunami and seriously damaging the Fukushima nuclear power plant. To contain the spread of COVID-19, the administrative actions taken by local governments in the PRC and other countries such as closed their borders to international travellers and issued stay-at-home orders has reduced the travel activities to a substantial extent and the transportation operation business of the Group has thus been affected. All of these natural disasters and diseases adversely affected the aviation industry by reducing revenues and affecting travel behaviour. Any period of sustained disruption to the aviation industry may have an adverse effect on the Group's business, financial condition and results of operations.

Many of the Group's businesses are cyclical in nature and the respective results of operations may fluctuate due to seasonality.

The operating revenue of the Group's aviation business is substantially dependent on the passenger and cargo traffic volume carried, which is subject to seasonal and other changes in traffic patterns, the availability of appropriate time slots for the Group's flights and alternative routes, the degree of competition from other airlines and alternate means of transportation, as well as other factors that may influence passenger travel demand and cargo volume. In particular, the Group's airline revenue is generally higher in the first and third quarters than in the second and fourth quarters. As a result, the Group's results tend to be volatile and subject to rapid and unexpected changes.

In addition, the peak season for the Group's publishing and distribution businesses is usually during the two months prior to the start of each school term. The school year in primary and lower secondary schools in the PRC usually comprises two terms, namely, the autumn term and the spring term, with winter vacation and summer vacation in between. Sales in textbooks usually reach their peak in July and August over the summer vacation and in particular in mid- and late- August, immediately before the autumn term starts in September.

Therefore, the Group's operating results may be subject to fluctuations due to seasonality factors from time to time.

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

The Group needs to maintain sufficient inventory, especially finished products, to meet the market demand and its sales. The principal inventories of the Group are gasoline and diesel, salt, concrete and other civil engineering materials. The Group endeavours to manage its inventory level by aligning its procurement with its sales based on confirmed purchase orders and projected sales. However, making an accurate estimate is difficult. Inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from the Group's suppliers and when its finished products are sold could expose the Group to inventory risks. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance of the Group's inventory was RMB44,812.4 million, RMB58,841.4 million, RMB69,270.2 million and RMB74,503.7 million respectively, accounting for 20.8%, 21.5%, %, 23.7% and 23.4%, respectively, of the Group's current assets as at the same dates.

Influenced by the slowdown of macro-economy, the price of its inventories is subject to greater volatility, which may lead to an increase in the Group's inventory impairment provision and adversely affect the Group's overall profits and profitability. There can be no assurance that the Group can manage its inventories effectively and any failure in its inventory management could materially and adversely affect its business, financial condition and results of operations.

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 litigation, financial losses and sanctions imposed by governmental authorities, as well as affecting its reputation. In addition, the Group's employees, representatives, agents, customers or other third parties may be subject to investigations by the PRC authorities, whose occurrence or outcome may be difficult to predict.

Potential 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;
- engaging in improper activities such as receiving or offering bribes to counterparties;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorised or excessive transactions to the detriment of the Group's customers; 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 noncompliance 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 can be no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result, and could have a material and adverse effect on the Group's businesses, financial condition and results of operations.

The Group may have difficulties in implementing and monitoring corporate policies across its subsidiaries and affiliated companies.

The Group strives to implement its corporate governance and operational and safety standards across each of its subsidiaries and affiliated companies in a uniform manner. Due to the Group's recent expansion in the number of new projects, implementing and monitoring these standards may prove difficult and a failure to do so may result in violations of relevant laws and regulations or the Group's own internal policies. Furthermore, as at the date of this Offering Circular, the number of the Company's supervisors does not meet the requirement under the Company Law of the PRC. There can be no assurance that the Group can effectively monitor each subsidiary and affiliated company and prevent non-compliance. This may result in violations that could adversely affect the Group's reputation and business prospects, which could materially and adversely affect its business, financial condition and results of operations.

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

The Group's business, financial condition, results of operations, profitability and prospects are affected by general global economic and political conditions. In recent years, there has been a slowdown in the overall growth of the PRC economy. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom's withdrawal from the European Union has resulted in volatility in global financial markets, and it is expected to create mid-to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In addition, the U.S. government's policies may create uncertainty for the global economy and financial markets. The United States and the PRC have recently been involved in controversy over trade barriers that have triggered the implementation or proposed implementation of tariffs on certain imported products into the two countries. Sustained tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economies. The U.S.-China trade conflict manifests a deterioration in the relationship between China and the United States which has led to greater uncertainties in the geopolitical situations in other parts of the world affecting China and Chinese companies. For example, export controls, economic and trade sanctions, entity list have been threatened and/or imposed by the U.S. government on a number of Chinese companies. The trade tensions between the United States and China could place pressure on the economic growth in China as well as the rest of the world and may subject the Group's business operation to risks from regulatory bodies and geopolitical situations.

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

Fluctuations in the value of the Renminbi may have an adverse effect on the Company's results of operations and financial condition.

The value of the Renminbi against other foreign currencies may fluctuate, and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. On 14 March 2014, the PBOC announced its decision to increase the flexibility in Renminbi-to-U.S. dollar currency exchange rate（關於決定擴大外匯市場人民幣兌美元匯率浮動幅度的公告）. According to the decision, the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar is enlarged from 1% to 2%, effective from 17 March 2014. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi has been added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in the first half of 2018. In August 2019, the PBOC on 5 August 2019 set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. Starting from July 2020, a new round of appreciation of Renminbi against U.S. dollar begins and as at 30 October 2020 the exchange rate of Renminbi against U.S. dollars was 6.6919 according to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the U.S. Federal Reserve Board.

There remains significant international pressure on the PRC government to adopt an even more flexible currency policy. The Company's revenue and costs are mostly denominated in Renminbi, although the Company's aircraft finance leases are sometimes denominated in U.S. dollars and the Company could have unhedged U.S. dollar financial liabilities. Accordingly, any adverse fluctuation in the exchange rate between the Renminbi and the U.S. dollar could increase the Company's costs or result in foreign currency translation losses for financial reporting purposes.

The Group's auditors are currently under investigation initiated by relevant PRC authorities.

ShineWing, the Group's independent auditor, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the CSRC. CSRC announced its administrative penalty decision ("**CSRC Decision**") against ShineWing in December 2017 and imposed a fine in the amount of RMB2.2 million in relation to its audit work for a company unrelated to the Group. ShineWing has already rectified the relevant irregularities in existence during the relevant audit process.

If ShineWing is found to be deficient in performing its audit tasks, it may affect investors' confidence in companies and financial statements audited by it. There is no assurance that further negative news about ShineWing would not have a material and adverse effect on the Group.

RISKS RELATING TO THE PRC

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

PRC ECONOMIC, POLITICAL AND SOCIAL CONDITIONS, AS WELL AS GOVERNMENT POLICIES, COULD AFFECT THE GROUP'S BUSINESS.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 40 years, growth has been uneven, both geographically and among the various sectors of the economy. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations. For example, the Group's financial condition and results of operations may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past four decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Company believes these reforms will have a positive effect on the Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Group's current or future business, results of operations or financial condition.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition. 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.

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 that 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 diversion of resources and management's attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

Substantially all of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within China, and assets of the directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of the Group's directors and senior management, including for matters arising under applicable securities law. 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 non-PRC courts against the Group, the Company, any of their respective directors or senior management in the PRC.

The PRC Government's control over foreign currency conversion may limit the Group's foreign exchange transactions.

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

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

The Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

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

In addition, under the Regulations on Paid Annual Leave for Employees（職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020（國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Group's products is likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Group's sales and financial condition. Increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME, THE GUARANTEE, THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING AND THE KEEPWELL DEED

Risks Relating to the KW Notes

As a holding company, the Company relies mainly on dividends and repayments on intercompany loans from its subsidiaries for funding.

As a holding company, the Company operates its business mainly through its subsidiaries. The Company also funds its subsidiaries through intercompany loans. The availability of funds to service its debts and its ability to meet the obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking depend upon dividends and repayments on intercompany loans received from its subsidiaries. If the Group's subsidiaries incur debt, such debts may impair the Group's subsidiaries from distributing dividends or making other distributions to the Company ultimately. As a result, the Company's ability to service its debt and its ability to meet the Group's obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking will be restricted.

PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, PRC laws require companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have adverse effects on the

Company's ability to service its debts and its ability to meet the obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking as the Company relies heavily on dividends and repayments from its PRC incorporated subsidiaries.

The KW Note Issuer is a special purpose company with no substantial business activities and has limited financial resources.

The KW Note Issuer is an offshore subsidiary of the Company incorporated specifically for the purpose of raising finance through the issuance of the KW Notes. The KW Note Issuer has limited assets as recourse for holders of the KW Notes. The KW Note Issuer does not, and will not, have any business activities other than the issue of the KW Notes, and its ability to make payments under the KW Notes will depend on its receipt of timely remittance of funds from the Company and/or the Company's subsidiaries. There is no assurance that the KW Note Issuer could receive timely and sufficient funds from the Company and/or the Company's subsidiaries to meet its payment obligations under the KW Notes.

The KW Notes and the Guarantee are unsecured obligations.

The KW Notes will be guaranteed by the Guarantor only and will not be guaranteed by the Company. The KW Notes and the Guarantee are unsecured obligations of the KW Note Issuer and the Guarantor, respectively. The repayment of the KW Notes and payment under the Guarantee may be adversely affected if:

- the KW Note Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the KW Note Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the KW Note Issuer's or the Guarantor's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

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

Neither the Keepwell Deed nor the Deed of Equity Interest Purchase Undertaking is a guarantee of the payment obligations of the Issuer and the Guarantor under the KW Notes and performance by the Company of its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking is subject to the approvals of the PRC authorities. The relevant judicial practice on whether a keepwell deed and/or a deed of equity interest purchase undertaking shall be recognised in bankruptcy procedures of the keepwell provider/the provider for a deed of equity interest purchase undertaking is still evolving.

The Company has entered into a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking in relation to the KW Notes, as further discussed in "*Description of the Keepwell Deed*" and "*Description of the Deed of Equity Interest Purchase Undertaking*", respectively. Pursuant to the terms of the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking. However, neither the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, nor any actions taken by the Trustee thereunder, can be deemed as a guarantee by the Company of the payment obligation of the KW Note Issuer under the KW Notes or the payment obligation of the Guarantor under the Guarantee. Accordingly, the Company will only be obliged to cause the KW Note Issuer or the Guarantor to obtain, before the due date of the relevant payment

obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the KW Note Issuer or the Guarantor to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee.

Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking, depending on the manner in which the Company performs its obligations under the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking in causing the KW Note Issuer or the Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the KW Notes or the Guarantee, respectively, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, the MOFCOM and SAFE. Although the Company is required to use its commercially reasonable endeavours to obtain any required consents and approvals in order to fulfil its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, there is no assurance that such consents or approvals will be obtained in a timely manner or at all. In the event that the Company fails to obtain the requisite consents or approvals, the KW Note Issuer and the Guarantor may have insufficient funds to discharge their outstanding payment obligations to the holders of the KW Notes. Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is the Guarantor. Where a Relevant Transferor is not the Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

In addition, under the Keepwell Deed, the Company will undertake, among other things, to cause the KW Note Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the KW Notes and/or the Guarantee. Pursuant to the Deed of Equity Interest Purchase Undertaking, the Company will undertake to each of the KW Note Issuer, the Guarantor and the Trustee, *inter alia*, upon the receipt of a written notice provided by the Trustee following the occurrence of any Event of Default, to assist the KW Note Issuer and the Guarantor in meeting their respective obligations under the KW Notes, the Guarantee and the Trust Deed by purchasing or procuring a PRC incorporated subsidiary of the Company to purchase (at a purchase price not lower than including, an amount sufficient to enable the KW Note Issuer and the Guarantor to discharge their respective obligations) certain equity interests from the Guarantor and/or the KW Note Issuer in either onshore or offshore subsidiaries (each such subsidiary, a "**Relevant Transferor**"). However, any claim by the KW Note Issuer, the Guarantor, the Trustee and/or holders of the KW Notes against the Company in relation to the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the KW Notes), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the KW Notes) will have priority to the assets of such entities over the claims of the KW Note Issuer, the Guarantor, the Trustee and/or holders of the KW Notes under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

There are also uncertainties in relation to whether the obligations of a keepwell provider under a keepwell deed will be recognised in bankruptcy procedures of the keepwell provider in the PRC. As the parties to the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking have submitted to the exclusive jurisdiction of Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking and wish to enforce such a judgment in the PRC may do so pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned（關於內地與香港特別行政區法院相互認（可和執行當事人協議管轄的民商事案件判決的安排）. However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area is still evolving. Consequently, even if the

holders of the Notes or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking, there can be no assurance that PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the Noteholders may have limited or no remedies against the Company in connection with such insolvency proceedings.

Performance by the Company of its undertakings under the Deed of Equity Interest Purchase Undertaking and/or the Keepwell Deed is subject to approvals of the PRC governmental authorities.

Under the Deed of Equity Interest Purchase Undertaking, the Company agrees, *inter alia*, to purchase or procure a PRC incorporated subsidiary of the Company to purchase from any one or more Relevant Transferors, their equity interest in certain onshore or offshore subsidiaries at a purchase price, subject to the terms in the Deed of Equity Interest Purchase Undertaking and the applicable PRC laws and regulations, not lower than the amount sufficient to enable the KW Note Issuer and the Guarantor to discharge their respective obligations under the KW Notes, the Guarantee and the Trust Deed.

- the NDRC or its local office in respect of the transfer of the equity interest in the offshore subsidiaries from the Relevant Transferor to the Company;
- the MOFCOM or its local office in respect of the transfer of the equity interest in the onshore or offshore subsidiaries from the Relevant Transferor (as defined in the Deed of Equity Interest Purchase Undertaking) to the Company;
- the PRC State Administration for Industry and Commerce or its local office in respect of the transfer of the equity interest in the onshore subsidiaries from the Relevant Transferor to the Company;
- the relevant PRC tax authorities in respect of withholding tax for the Relevant Transferor;
- SAFE or its local office and a Qualified Bank (as defined in the Deed of Equity Interest Purchase Undertaking) (where applicable) in respect of (i) changing the SAFE registration of, or in connection with, the onshore or offshore companies being sold, and (ii) the remittance of the purchase price, denominated in Renminbi, from the Company in the PRC to the Relevant Transferor in Hong Kong (where applicable); and
- other approvals, registrations and/or filings required under the applicable PRC laws, regulations or policies.

As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either the requisite approvals or registrations in time, or at all, or that the PRC government's relevant policies or regulations will not change in the future. In the event that the Company fails to obtain the requisite approvals or registrations, the KW Note Issuer and the Guarantor may have insufficient funds to discharge their outstanding payment obligations to the holders of the KW Notes.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is the Guarantor. Where a Relevant Transferor is not the Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the assets are secured in favour of third party creditors.

The ability of the Company to purchase or procure a subsidiary of the Company to purchase certain equity interests from one or more Relevant Transferors pursuant to the terms of the Deed of Equity Interest Purchase Undertaking may be affected by any present or future financing agreements, lease agreements or other agreements of the Company and its subsidiaries:

- in the event that such financing agreements or other agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor or counterparty, as the case may be, before the Relevant Transferor is able to proceed with the sale of such equity interest; and

- in the event that certain equity interests have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions of the Notes, the Trust Deed, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, there are no restrictions on the Guarantor or its subsidiaries entering into financing agreements or other agreements with such non-disposal or other restrictive covenants or securing the equity interests of any of the Guarantor and its subsidiaries in favour of its creditors. In the event the obligation to purchase equity interests under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that the Guarantor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the assets to proceed.

If such consents or releases cannot be obtained, the Guarantor may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company, failing which, the KW Note Issuer and the Guarantor may have insufficient funds to discharge their respective payment obligations to the holders of the KW Notes.

In addition, third party shareholders' consent may also be required if the Company chooses to acquire the equity interests of certain non-wholly-owned companies of a Relevant Transferor; this may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement or otherwise that would require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company or its subsidiaries or affiliates.

In the event the obligation to purchase equity interests pursuant to the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that any required approvals or waivers can be obtained from third party shareholders in a timely manner or at all. Failure to obtain such approvals or waivers, may result in the Company being unable to comply with its equity interest purchase obligations, and as a result the KW Note Issuer and the Guarantor may have insufficient funds to discharge their respective payment obligations to the holders of the KW Notes.

The KW Note Issuer and the Guarantor have limited equity interests which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking.

As at the date of this Offering Circular, the Company's offshore subsidiaries have very limited equity interests that can be sold to the Company in the event that the obligation of the Company to purchase such equity interests under the Deed of Equity Interest Purchase Undertaking becomes effective. Furthermore, sale of any equity interests by such offshore subsidiaries may be subject to regulatory and other approvals. See "*Risk Factors – Performance by the Company of its undertaking under the Deed of*

Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the assets are secured in favour of third party creditors" and "*Risk Factors – Performance by the Company of its undertakings under the Deed of Equity Interest Purchase Undertaking and/or the Keepwell Deed is subject to approvals of the PRC governmental authorities*".

There is no assurance that such approvals can be obtained in a timely manner, or at all. In the event that such approvals cannot be obtained and there are no other future equity interests that the Company can purchase, the Deed of Equity Interest Purchase Undertaking may not be effective in enabling the Company to assist the KW Note Issuer and the Guarantor with their respective payment obligations under the KW Notes, the Guarantee and the Trust Deed.

Under the Enterprise Income Tax Law, the KW Note Issuer and the Guarantor may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to the KW Note Issuer and its non-PRC Noteholders.

Under the EIT Law of the PRC, an enterprise established outside the PRC with a "*de facto* management body" within the PRC is deemed a "resident enterprise", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "*de facto* management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 (the "**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto* management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 27 July 2011, the State Administration of Taxation issued the *Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group* (the "**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

Neither the KW Note Issuer nor the Guarantor believes that it is currently a PRC resident enterprise. However, neither the KW Note Issuer nor the Guarantor can assure holders of the KW Notes that the it will not be deemed "a resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on its global income in the future, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". If the KW Note Issuer or the Guarantor is not considered to be a PRC resident enterprise for EIT Law purposes, the payment of interest on or in respect of the KW Notes by it to the overseas holders of the KW Notes will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-source income derived by non-resident enterprises, subject to adjustment by applicable treaty. The implementation regulations of the EIT Law further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. Any gains realised on the transfer of the KW Notes by overseas

holders of the KW Notes may be subject to PRC income tax at a rate of 10 per cent. for enterprise holders of the KW Notes or 20 per cent. for individual holders of the KW Notes, if such gains are regarded as PRC-sourced.

If the KW Note Issuer or the Guarantor is required to withhold PRC tax from interest payments on the KW Notes to non-PRC holders of KW Notes, the KW Note Issuer or the Guarantor, as the case may be, will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the relevant holders of KW Notes of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the KW Notes, and could have an adverse effect on the KW Note Issuer's and the Guarantor's financial condition.

The Guarantor has limited assets and will need to rely on cash flow from the Company and other subsidiaries of the Company to service its obligations under the KW Notes and the Guarantee.

The Guarantor is the Company's wholly-owned subsidiary, has limited operation of its own and will be dependent upon payments from the Company and its subsidiaries to meet its obligations under the KW Notes and the Guarantee. As the Guarantor is principally a holding company with limited operations of its own and very limited operational history, the Guarantor will depend, to a significant extent, upon the receipt of dividends from its subsidiaries and associated companies and capital injections and loans from the Company to meet its overhead expenses and to make payments with respect to its obligations, including its obligations under the Guarantee. The ability of subsidiaries and associated companies of the Guarantor to pay dividends to their shareholders is subject to the performance and profitability of such subsidiaries and associated companies and to applicable law and restrictions contained in debt instruments of such subsidiaries and associated companies, if any. The Company's financing to the Guarantor is also subject to a number of factors, some of which may be beyond the Company's control. No assurance can be given that the Guarantor will have sufficient cash flow to satisfy its obligations, including the obligations under the Guarantee.

If the Company does not, or is unable for any reason, to make capital injections, intercompany loans or otherwise to the Guarantor, or subsidiaries and associated companies of the Guarantor do not or are unable to pay dividends to their shareholders, the Guarantor may be unable to comply with its payment obligations under the KW Notes or the Guarantee.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor is a holding company that mainly conducts its business through its subsidiaries. The Guarantor's ability to perform its obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

Claims under the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed will be structurally subordinated to the obligations of the Company's subsidiaries.

Under the Keepwell Deed, the Company will undertake to the KW Note Issuer, the Guarantor and the Trustee, *inter alia*, to cause the KW Note Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by the KW Note Issuer and the Guarantor, as applicable, of any amounts payable under or in respect of the KW Notes. See "*Description of the Keepwell Deed*". Pursuant to the Deed of Equity Interest Purchase Undertaking, the Company will undertake to the KW Note Issuer, the Guarantor and the Trustee, *inter alia*, upon the receipt of a written notice provided by the Trustee following the occurrence of any Event of Default or any Shortfall Event (as defined in the Deed of Equity Interest Purchase Undertaking), to assist the KW Note Issuer and the Guarantor in meeting their respective

obligations under the KW Notes and the Guarantee by purchasing or procuring a PRC incorporated subsidiary of the Company to purchase (at a purchase price not lower than an amount sufficient to enable the KW Note Issuer and the Guarantor to discharge their respective obligations) certain equity interests from the Guarantor and/or the KW Note Issuer in either onshore or offshore subsidiaries. See "*Description of the Deed of Equity Interest Purchase Undertaking*".

However, any claim by the KW Note Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (other than the Guarantor and the KW Note Issuer), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the KW Note Issuer, the Guarantor and the Trustee under the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed. Accordingly, the rights of the Trustee on behalf of the holders of the KW Notes under the Guarantee, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are structurally subordinated to the obligations of the Company's onshore and offshore subsidiaries (other than the Guarantor and the KW Note Issuer).

Risks Relating to the Direct Issuance Notes

If the Company fails to complete the SAFE registration in connection with the Direct Issuance Notes within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Direct Issuance Notes.

In respect of a Tranche of Direct Issuance Notes, the Company is required to complete the Direct Issuance Note Foreign Debt Registration on or before the Registration Deadline (being the day falling 90 Registration Deadline Business Days after the date of the relevant Issue Date) in accordance with the SAFE Measures, which will be made by the Company within the prescribed time period in accordance with the SAFE Measures. The Company is also required to complete the relevant filing obligation as required by the PBOC's *Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing* (Yin Fa [2017] No.9)(中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知)(銀發[2017]9號) promulgated by PBOC on 11 January 2017 (the "**PBOC Notice**"). There may be hurdles at the time of remittance of funds as domestic banks may require evidence of SAFE registration in connection with the relevant Tranche of Direct Issuance Notes in order to effect such remittance.

The Direct Issuance Notes are unsecured obligations.

The Direct Issuance Notes are unsecured obligations of the Company. The repayment of the Direct Issuance Notes may be adversely affected if:

- the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Company's future secured indebtedness or other unsecured indebtedness;
- there is an acceleration of any of the Company's indebtedness; or
- the foreign exchange authority adopts more stringent controls over cross-border foreign exchange.

If any of these events were to occur, the Company's assets may not be sufficient to pay amounts due on the Direct Issuance Notes.

Risks Relating to the Notes Generally

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

In accordance with the Administrative Measures for Foreign Debt Registration（外債登記管理辦法）(the "**Foreign Debt Registration Measures**") issued by SAFE on 28 April 2013, which came into effect on 13 May 2013, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration（外債登記管理操作指引）promulgated together with the Foreign Debt Registration Measures, an issuer of foreign debts is required to register its foreign debt issue within 15 business days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures.

In addition, on 27 April 2016, PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (Yin Fa [2016] No.132)(《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》（銀發[2016]132號）), which came into effect on 3 May 2016. This circular has since been replaced by the PBOC Notice. The Company has consulted the local SAFE regarding the application of filing procedures and documents required. The Company was informed by the local SAFE that the PBOC Notice will be applicable to the issue of the Direct Issuance Notes, and the Company will be required to file in accordance with the same. However, neither the PBOC nor SAFE has promulgated implementation rules of the PBOC Notice as at the date of this Offering Circular. The filing process and the interpretation and enforcement of the PBOC Notice thus involve substantial uncertainties due to its recent promulgation and publication. As such, the Company has inquired with SAFE on the requisite filing requirements and based on such inquiry, the Company is required to file with SAFE the requisite information and documents within five PRC Business Days after the Issue Date. Before such registration of the Direct Issuance Notes is completed, it is uncertain whether the Direct Issuance Notes are enforceable as a matter of PRC law and it may be difficult for holders of the Direct Issuance Notes to recover amounts due from the Company, and the Company may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Direct Issuance Notes. The Company has however undertaken pursuant to the Terms and Conditions that it will file the Direct Issuance Notes with SAFE pursuant to the PBOC Notice and implement measures as may be promulgated from time to time, within the prescribed time period in accordance therewith and to otherwise comply with the terms of the PBOC Notice and implementing measures (if any). The consequences of any failure to file the Direct Issuance Notes pursuant to the PBOC Notice or to otherwise comply with any other requirements thereunder are unclear. In the unlikely event that, having exercised all its reasonable endeavours, the Company is unable to complete such registration within the above-mentioned time period, holders of the Direct Issuance Notes will have the right to require the Company to redeem their holding of Direct Issuance Notes. However, notwithstanding such right, the Company may have difficulty in remitting funds offshore to service payments in respect of the Direct Issuance Notes and holders of the Direct Issuance Notes may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Direct Issuance Notes and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Direct Issuance Notes may also be materially and adversely affected. The Company has already consulted with the local SAFE in connection with the registration procedures and documentary requirements. The Company does not foresee any obstacle in completing the registration within the above-mentioned period.

The PRC government has no obligations under the Notes.

The PRC government (including the Sichuan Government (as defined herein)) is not an obligor and Noteholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Notes, the Guarantee, the Keepwell Deed or the Deed of Equity Interest Purchase

Undertaking in lieu of the Issuer, the Guarantor or, as the case may be, the Company. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》，財金[2018]23號)(the "**MOF Circular**") promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the "**Joint Circular**") promulgated on 11 May 2018 and which took effect on the same day and the Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)(the "**Circular 666**") promulgated on 6 July 2019 and took effect on the same day.

The PRC government as the ultimate shareholder of the Company only has limited liability in the form of its equity contribution in the Company. As such, the PRC government does not have any payment obligations under the Notes, the Guarantee, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking. Each Tranche of the KW Notes are solely to be repaid by the Issuer (and the Guarantee by the Guarantor) and the obligations under the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking shall be fulfilled by the Company, as applicable, each as an obligor under the relevant transaction documents and as an independent legal person. Each Tranche of the Direct Issuance Notes are to be repaid by the Company as an obligor under the relevant transaction documents and as an independent legal person. In addition, any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, any of KW Note Issuer or the Company's financial condition. Therefore, investors should base their investment decision only on the financial condition of KW Note Issuer, the Company and the Group and base any perceived credit risk associated with an investment in the Notes only on the Group's own financial information reflected in its financial statements.

If either of the KW Note Issuer or the Company is unable to comply with the restrictions and covenants in their respective debt agreements (if any), the Notes or the Guarantee, there could be a default under the terms of these agreements or the Notes, which could cause repayment of the KW Note Issuer or the Company's debt to be accelerated.

If any of the KW Note Issuer or the Company is unable to comply with the restrictions and covenants in the Notes, the Guarantee, 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 KW Note Issuer or the Company, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the KW Note Issuer and the Company may contain cross-acceleration or cross-default provisions. As a result, the default by the KW Note Issuer or the Company under a debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occurs, there can be no assurance that the Group's assets and cash flows would be sufficient to repay in full all of the KW Note Issuer's or the Company's indebtedness, or that it would be able to find alternative financing. Even if the KW Note Issuer or the Company could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the KW Note Issuer or the Company.

The KW Note Issuer or the Company may not be able to repurchase the relevant Notes upon the exercise of a redemption option by Noteholders.

Upon the occurrence of certain events, including but not limited to a Change of Control and a No Registration Event as described in the "*Terms and Conditions of the Notes*", Noteholders may require the KW Note Issuer or the Company to redeem their Notes. The source of funds for any such redemption would be the KW Note Issuer's or the Company's available cash and third-party financing. The KW Note Issuer or the Company, however, may not have sufficient available funds at the time of the occurrence of any such event to redeem the tendered outstanding Notes. The KW Note Issuer's or the Company's failure to redeem the tendered Notes would constitute an Event of Default (as defined in the "*Terms and Conditions of the Notes*"). This Event of Default may, in turn, constitute an event of default under other indebtedness, which could cause the related debt to be accelerated after any applicable notice or grace periods.

The liquidity and price of the Notes may be volatile.

The price and trading volume of the Notes 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 Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes 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 Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes 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 sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

A trading market for the Notes may not develop.

A Tranche of Notes is a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes 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 relevant Dealers in relation to any Tranche of Notes are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealers in relation to any Tranche of Notes.

One or more investor may subscribe for a material proportion of the aggregate principal amount of any Tranche of Notes

In relation to a Tranche of Notes to be issued under the Programme, one or more initial investors may subscribe for a material proportion of the aggregate principal amount of such Notes. Any Noteholder of a material proportion of such Notes will be able to exercise considerable voting power on its own, and may be able to, amongst other things, convene meetings and prevent the passing of Extraordinary Resolutions (as defined in the Trust Deed) in respect of the relevant Tranche of the Notes. Additionally, the existence of any such significant Noteholder may reduce the liquidity of the relevant Tranche of the

Notes in the secondary trading market. If any such Noteholder sells a material amount of the aggregate principal amount of the relevant Tranche of the Notes at any one time, it may materially and adversely affect the trading price of such relevant Tranche of the Notes.

The ratings of the Notes may be downgraded or withdrawn.

Tranches of Notes to be issued under the Programme may be rated or unrated. The ratings represent the opinions of the rating agencies and their assessment of the ability of the KW Note Issuer and the Company to perform their respective obligations under the relevant Notes and credit risks in determining the likelihood that payments will be made when due under the relevant Notes. A rating is not a recommendation to buy, sell or hold the relevant Notes and may be subject to suspension, reduction or withdrawn at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the relevant Notes and the KW Note Issuer's or the Company's ability to access the debt capital markets.

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 holders of the Notes are familiar.

As the KW Note Issuer and the Company are incorporated under the laws of the BVI and the PRC, respectively, any insolvency proceeding relating to the KW Note Issuer or the Company would likely involve BVI or PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The interpretation of the NDRC Circular may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes

According to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號））and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC (the "**NDRC**"), domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 working days after closing.

The interpretation of the NDRC Circular may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. The NDRC Circular does not expressly state the legal consequences of non-compliance with such post issue notification requirements, therefore there is no assurance that the failure to comply with the NDRC requirements would not result in any adverse consequences for the Issuer, the Company, the Notes or the investors in the Notes. There is also no assurance that the registration certificate with the NDRC 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 performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

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

In certain circumstances, including without limitation giving notice to the KW Note Issuer, the Guarantor or the Company pursuant to Condition 16 of the "*Terms and Conditions of the Notes*" and taking enforcement steps pursuant to Condition 12 of the "*Terms and Conditions of the Notes*", the

Trustee may, at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the "*Terms and Conditions of the Notes*") or the Terms and Conditions of the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

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

The Terms and Conditions of the Notes also provide that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such (**provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution in respect of the Notes or a request made pursuant to Condition 10 in respect of the Notes). There is a risk that the decision made by the Trustee may be adverse to the interests of the individuals.

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

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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.

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

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The KW Note Issuer or, as the case may be, the Company will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests in Global Notes or Global Certificates only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or Global Certificates, the KW Note Issuer or the Company will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificates are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the KW Note Issuer or the Company in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The KW Note Issuer and the Company have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

There may be less publicly available information about the KW Note Issuer, the Guarantor, the Company and the Group than is available for companies in certain other jurisdictions.

Each of the KW Note Issuer, the Guarantor and the Company is a private company and each of them is not required under the applicable laws and regulations to publish its financial statements or make periodic public announcements. Therefore, there is limited publicly available information about the KW Note Issuer, the Guarantor, the Company and the Group. In making an investment decision, investors must rely upon their own examination of the KW Note Issuer, the Guarantor, the Company and the Group, the terms of the offering and the financial information of the Guarantor and the Company. The consolidated financial statements of the commercial operations of the Group included in this Offering Circular have been prepared on the basis stated therein presented in accordance with PRC GAAP. PRC GAAP is substantially in line with the International Financial Reporting Standards (the "**IFRS**"), except for certain modifications which reflect the PRC's unique circumstances and environment. See "*Material Differences between PRC GAAP and IFRS*" for details. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination (as defined in the "*Terms and Conditions of the Notes*") *plus* a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks Relating to the Structure of a Particular Issue of Notes (for both KW Notes and Direct Issuance Notes) under the Programme.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues.

The KW Note Issuer or the Company may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of Partly-Paid Notes may result in an investor losing all of its investment.

The KW Note Issuer or the Company may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Notes carrying an interest rate linked to "benchmarks" may be exposed to any changes to the relevant "benchmark".

Reference rates and indices, including interest rate benchmarks such as LIBOR and EURIBOR, which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**") have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. Some of these reforms are already effective whilst others are still to be implemented. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued, or have consequences which cannot be predicted.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). In the United Kingdom (the "**UK**"), the EU Benchmark Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation"**) among other things, applies to the provision of benchmarks and the use of Benchmarks in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed)

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. In November 2020, the administrator of LIBOR announced that it will carry out a public consultation on its intention to cease the publication of the one-week and two-month USD LIBOR settings immediately following the LIBOR publication on 31 December 2021, and the remaining USD LIBOR settings (the "**Relevant LIBOR Settings**") immediately following the LIBOR publication on 30 June 2023. As of the date of this Offering Circular, no official result of such consultation has been published and there can be no assurance that the administrator of LIBOR will extend the publication of the Relevant LIBOR Settings until 30 June 2023.

Separately, on 21 January 2019, the euro risk free-rate working group for the euro area published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

The potential elimination of the LIBOR benchmark, or changes in the manner of administration of any other benchmark, may cause a Benchmark to perform differently than it has done in the past or to be discontinued, and could require an adjustment on the terms and conditions, or result in other consequences, in respect of any Notes referencing or linked to such Benchmark (including but not limited to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate *minus* a rate based upon a reference rate such as the LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed Rate Notes and Floating Rate Notes (as defined in the "*Terms and Conditions of the Notes*") may bear interest at a rate that the KW Note Issuer or the Company may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The ability of the KW Note Issuer or the Company to convert the interest rate will affect the secondary market and the market value of such Notes since the

KW Note Issuer or the Company may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the KW Note Issuer or the Company converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the KW Note Issuer or the Company converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Notes subject to optional redemption by the KW Note Issuer or the Company may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the KW Note Issuer or the Company may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The KW Note Issuer or the Company may be expected to redeem Notes when the cost of borrowing is lower than the interest rate payable on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an interest rate as high as the interest rate payable on the Notes 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.

Risks Relating to Renminbi-denominated Notes (for KW Notes denominated in Renminbi and Direct Issuance Notes denominated in Renminbi)

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

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

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

There is no assurance that the PRC government will continue gradually to liberalise control over cross-border Renminbi remittances in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC. In the event that the Group is not able to repatriate funds outside the PRC in Renminbi, the KW Note Issuer or the Company will need to source Renminbi offshore to finance their respective obligations under Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the KW Note Issuer's or the Company's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licenced banks in Hong Kong may offer limited Renminbi-denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**RMB Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong.

Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit (other than as provided in the following paragraph) on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. In addition, participating banks are also required by the Hong Kong Monetary Authority to maintain a Renminbi liquidity ratio of not less than 25 per cent. (computed on the same basis as the statutory liquidity ratio), which further limits the availability of Renminbi that participating banks can utilise for conversion services for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The RMB Clearing Bank only has access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for Hong Kong residents of up to RMB20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from the offshore market to square such open positions.

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

Investment in Renminbi Notes is subject to exchange rate risks.

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment

in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes 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 Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes or Global Certificates, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The KW Note Issuer or the Company cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Company, the KW Note Issuer and the Guarantor. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application will be made for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Group

The following table sets forth the Company's consolidated capitalisation as at 30 June 2020. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 30 June 2020	
	Actual	**Actual**
	(RMB in millions)	*(USD in millions)*[1]
Total borrowings- current portion		
Short-term loans	49,768.3	7,044.2
Long-term borrowings due within one year	46,637.1	6,601.1
Long-term debenture due within one year	21,517.7	3,045.6
Short term bonds payable	11,335.7	1,604.5
Subtotal	**129,258.8**	**18,295.4**
Total borrowings- non-current portion		
Long-term borrowings	488,775.7	69,181.7
Bonds payable	117,323.2	16,606.0
Financial leasing payable	8,618.8	1,219.9
Subtotal	**614,717.7**	**87,007.6**
Total borrowings	**743,976.5**	**105,303.0**
Total equity	**314,105.4**	**44,458.7**
Total capitalisation[2]	**928,823.1**	**131,466.4**

(1) Based on the exchange rate of RMB7.0651 to US$1.00, the noon buying rate in effect on 30 June 2020 as set forth in the H.10 weekly statistical release of the Board of the Governors of the Federal Reserve System of the United States.

(2) Total capitalisation represents the sum of the non-current portion of the total borrowings and total equity.

Save as disclosed in this Offering Circular, there has been no material adverse change in the Company's capitalisation and indebtedness since 30 June 2020.

Capitalisation and Indebtedness of the Guarantor

The following tables sets forth the Guarantor's reviewed consolidated capitalisation as at 30 June 2020. The table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 30 June 2020	
	Actual	
	(RMB in millions)	*(USD in millions)*[1]
Current portion of long-term borrowings	272.8	38.6
Non-current portion of long-term borrowings	2,816.5	398.7
Total borrowings	**3,089.3**	**437.3**
Total equity	**1,515.2**	**214.5**
Total capitalisation[2]	**4,331.7**	**613.2**

1. Based on the exchange rate of RMB7.0651 to US$1.00, the noon buying rate in effect on 30 June 2020 as set forth in the H.10 weekly statistical release of the Board of the Governors of the Federal Reserve System of the United States.

2. Total capitalisation represents the sum of the non-current portion of the long-term borrowings and total equity.

Save as disclosed in this Offering Circular, there has been no material adverse change in the Guarantor's capitalisation and indebtedness since 30 June 2020.

USE OF PROCEEDS

The gross proceeds of the issue of the Notes will be used for general corporate purpose of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE KW NOTE ISSUER

Formation

The KW Note Issuer, the Guarantor's wholly-owned subsidiary, was incorporated as a business company with limited liability on 8 July 2014 in the British Virgin Islands under the BVI Business Companies Act. The KW Note Issuer's registration number is 1832666. Its registered office is located at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands.

Corporate Activities

As at the date of this Offering Circular, the KW Note Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the issuance of the bond with an aggregate principal amount of RMB1.0 billion in 2014 due 2017, establishment of the Programme and issuance of the KW Notes under the Programme from time to time, performance of its obligations under the Programme and the KW Notes, and the on-lending of the proceeds of the issue of the KW Notes to the Company or any of its Subsidiaries and any other activities incidental thereto.

Directors

The directors of the KW Note Issuer are Mr. Xiong Huiran（熊輝然）and Ms. Wang Lu（王璐）.

Share Capital

The maximum number of shares the KW Note Issuer is authorised to issue is 50,000 ordinary shares with no par value. 50,000 shares have been issued with a total paid-up capital of US$1.00. None of the equity securities of the KW Note Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Information of the KW Note Issuer

The KW Note Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the KW Note Issuer is required to keep such accounts and records as its directors consider necessary or desirable in order to reflect the financial position of the KW Note Issuer with reasonable accuracy.

DESCRIPTION OF THE GUARANTOR

Formation and Acquisition

The Guarantor, the Company's wholly-owned subsidiary, was incorporated as a private company limited by shares on 3 January 2001 in Hong Kong under the Companies Ordinance (Cap. 32) (re-enacted as the Companies Ordinance (Cap. 622) with effect from 3 March 2014). The Guarantor's registration number is 0742919. Its registered office is located at 6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. On 14 July 2014, the Company acquired 100% of the issued share capital of the Guarantor from Sichuan Changjiang Group Corp., Limited（四川省長江集團有限公司）at a cash consideration of RMB4,788,268.

Corporate Activities

Subsequent to acquiring the entire issued share capital of the Guarantor on 14 July 2014, the Company intends that the Guarantor serves as an offshore financing channel for the Group to promote its overseas business development and financing opportunities, and international capital operation and cooperation.

The Guarantor is a holding company and does not engage in business activities of its own. The Guarantor holds 99.49% equity interest in Sichuan Yieldcap (previously the Zhongri Vehicle Services), a Sino-foreign joint venture enterprise with limited liability under the laws of the PRC. Zhongri Vehicle Services carried on the business of taxi rentals in the PRC until December 2013 when it disposed of substantially all of its business and assets. Following such disposal, the Guarantor injected approximately RMB350 million into this subsidiary and changed its name to Sichuan Yieldcap, which has remained a dormant associate of the Guarantor with the role of an investment platform of the Guarantor to carry out businesses in Sichuan Province.

On 3 March 2017, the Guarantor, as a controlling shareholder, established SDH Wings under the laws of Ireland. SDH Wings is primarily engaged in aircraft leasing business.

In October 2018, the Guarantor acquired 27% of the share capital in issue of Tianyun International Holdings Limited ("**Tianyun**"), which is a company listed on the Hong Kong Stock Exchange under the stock code of 6836, and has become the single largest shareholder of Tianyun International Holdings Limited since then. Tianyun is a company focusing on deep processing of agricultural products.

Director

The directors of the Guarantor are Ms. Wang Lu（王璐）and Mr. Xiong Huiran（熊輝然）and Mr. Weiqiang Wang（王維強）.

Share Capital

As at the date of this Offering Circular, the Guarantor has issued 481,200,000 ordinary shares with a total paid-up capital of HK$1.2 million, RMB300.0 million and US$180.0 million in aggregate. The Company is the sole shareholder of the Guarantor. As at the date of this Offering Circular, none of the equity securities of the Guarantor is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Information of the Guarantor

The Guarantor's financial statements as at and for the years ended 31 December, 2018 and 2019 were prepared in accordance with HKFRS issued by the HKICPA and were audited by ShineWing (HK), a firm of certified public accountants registered in Hong Kong.

The Guarantor's selected financial information as at and for the six months ended 30 June 2020 was prepared and presented in accordance with HKFRS issued by the HKICPA and has been reviewed by ShineWing (HK). The Group's Interim Financial Statements have not been audited by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit.

DESCRIPTION OF THE GROUP

Overview

The Company is the only provincial-level state-owned capital operation company in Sichuan Province. It invests in and controls a number of specialised investment and financing companies in various industries, including principally transportation infrastructure construction and operation, general trading, power generation and supply, media and culture, as well as others. As at 30 June 2020, the Company operated its business through more than 1,315 subsidiaries and joint ventures, including 48 directly-owned subsidiaries and 11 companies listed in the PRC and/or Hong Kong. The Company was incorporated on 24 December 2008 as the platform for diversified ownership structure reform and operation transition for the state-owned companies in Sichuan Province. Leveraging the strong support from the Sichuan Government, the Group has expanded its business rapidly across its four principal business segments.

Transportation Infrastructure Construction and Operation: The Group's transportation infrastructure construction and operation business consists of (i) expressway construction and operation, (ii) railway and bridge construction and operation, and (iii) air transportation. As at 30 June 2020, the Group was engaged in the operation of 86 expressways (of which 61 were complete and fully open, which account for 78% of the aggregate length of operating expressways in the province and cover 21 cities, and 25 were still under construction and in partial operation, which account for 84% of the aggregate length of expressways under construction in Sichuan Province). As at 30 June 2020, the Group had 25 key national and regional railway lines in operation or under construction with an aggregate mileage of 3,911 km. The Group has also undertaken a large amount of bridge construction projects, including 154 bridges over Yangtze River. As the main participant of transportation infrastructure construction and operation in Sichuan Province, the Group is the main force and the leader of the toll road construction and operation business in Sichuan Province. The Group's expressway construction business has a market share of approximately 30% of expressway construction business in Sichuan Province. The Group's operation business has a leading position in Sichuan Province. As at 30 June 2020, the Group operated 86 expressways with a total length of 9,084.7 kilometres. As at 30 June 2020, according to the operational data published by Sichuan Transportation Department on the website of the People's Government of Sichuan Province, the aggregate length of operating expressways in Sichuan Province amounted to over 7,500 kilometres. In addition, the Group acted as a hub in the regional air transportation, providing an airline catering service and various ancillary services such as airplane maintenance and aviation training. Transportation infrastructure construction and operation has made a significant contribution to the Group's operating income and total assets. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's transportation infrastructure construction and operation business contributed RMB59,872.5 million, RMB76,520.9 million, RMB99,004.3 million, RMB37,210.3 million and RMB36,805.1 million in total operating income, respectively, accounting for approximately 35.7%, 38.9%, 40.4%, 33.3% and 41.2% respectively, of the Group's total operating income from principal businesses for the corresponding years.

General Trading: The Group operates its general trading business primarily through Sichuan Railway Investment Oil and Sichuan Railway Investment (both of which are subsidiaries of Sichuan Railway), Sichuan Transportation (which is a subsidiary of Sichuan Communications), Sichuan Nengtou (which is a subsidiary of Sichuan Energy), Sichuan Port & Channel (a subsidiary of Sichuan Communications) and Sichuan Salt. The Group's general trading business is largely ancillary to the Group's transportation infrastructure construction and operation segment and power generation and supply segment, primarily focusing on trading in salts and materials such as gasoline, diesel and other civil engineering materials. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's general trading business contributed RMB88,988.4 million, RMB100,705.0 million, RMB117,288.4 million, RMB63,032.2 million and RMB38,402.8 million in total operating income, respectively, accounting for approximately 53.1%, 51.1%, 47.8%, 56.4% and 43.0% respectively, of the Group's total operating income from principal businesses for the corresponding years.

Power Generation and Supply: The Group mainly operates its power generation and supply business through Sichuan Energy and Sichuan Port & Channel. The Group generates energy from hydropower plants, wind farms and biomass power plants. In addition, the Group also takes part in the construction, upgrading and operation of the power grid in Sichuan Province's rural areas. Revenue from the Group's power generation and supply segment is primarily derived from the sale of power generated by its power plants. As at 30 June 2020, the Group held equity interests in 174 hydropower plants, six biomass power plants, eight wind farms and 17 photovoltaic power projects in commercial operation with an aggregate attributable installed capacity of 7,784.1 MW. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's power generation and supply business contributed RMB7,035.1 million, RMB8,337.3 million and RMB14,125.3 million, RMB6,271.7 million and RMB7,951.2 million in total operating income, respectively, accounting for approximately 4.2%, 4.2%, 5.8%, 5.6% and 8.9%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

Media and Culture: The Group's publication business includes publication of books, periodicals, audiovisual products and digital products, provision of printing services, and supply of materials. As at 30 June 2020, the Group owned and operated nine publishing houses, two brands of newspaper, 11 brands of magazines and one publishing house of audio-visual products and digital products. The Group is also engaged in the subscription and distribution of textbooks and supplemental study books, as well as retail sales. The retail sales business is operated through a retail network of 170 outlets with an aggregate operational floor area of more than 150,000 sq. metres. Xinhua Winshare is the exclusive distributor and sole publisher of all government-sponsored primary and secondary school textbooks in Sichuan. It is also the chief supplier of all non-sponsored textbooks. The Group has actively expanded its distribution channels to supermarkets and online platforms in recent years. As at 30 June 2020, the Group had set up 170 direct outlets and 28 medium-to-large book stores with a sale network covering 18 regions and 134 counties. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's media and culture business contributed RMB8,790.3 million, RMB8,640.6 million, RMB8,835.7 million, RMB4,016.0 million and RMB3,617.8 million in total operating income, respectively, accounting for approximately 5.3%, 4.4%, 3.6%, 3.6% and 4.0%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

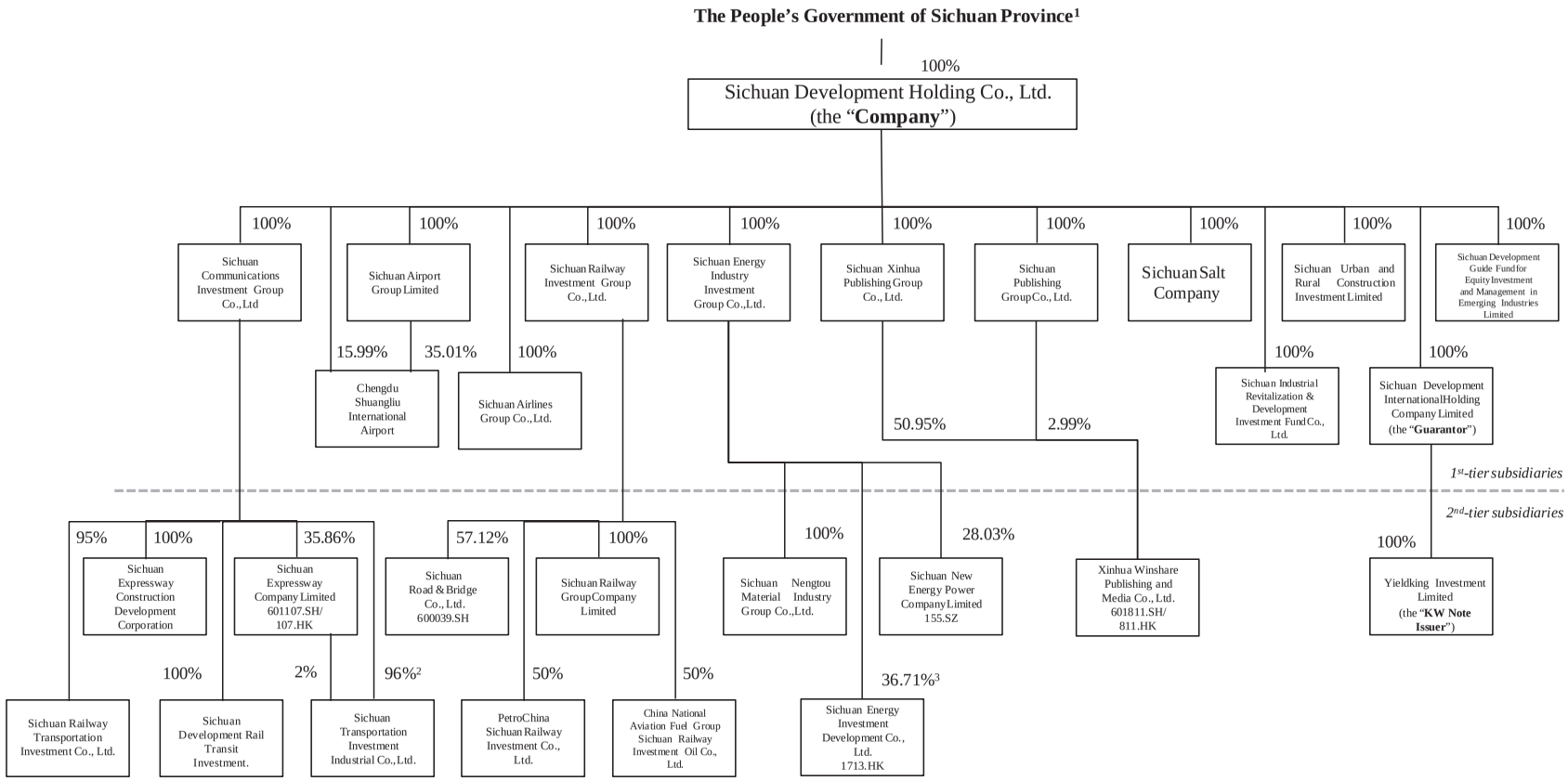
Others: The Group also invests in various other businesses, such as water management and the sale and distribution of metallic materials and timber. The Group invests, where appropriate, in other businesses with amounts the Group considers suitable to its risk profile to maintain a balanced investment portfolio. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's other business contributed RMB2,796.3 million, RMB2,700.4 million, RMB5,931.2 million, RMB1,315.2 million and RMB2,598.3 million in total operating income, respectively, accounting for approximately 1.7%, 1.4%, 2.4%, 1.2% and 2.9%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

The following table sets forth the Group's operating income from principal businesses by business segments for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Amount (RMB in millions)	*% of Total*	*Amount (RMB in millions)*	*% of Total*	*Amount (RMB in millions)*	*% of Total*	*Amount (RMB in millions)*	*% of Total*	*Amount (RMB in millions)*	*% of Total*
Business Segment										
Transportation infrastructure construction and operation	59,872.5	35.7	76,520.9	38.9	99,004.3	40.4	37,210.3	33.3	36,805.1	41.2
General Trading	88,988.4	53.1	100,705.0	51.1	117,288.4	47.8	63,032.2	56.4	38,402.8	43.0
Power generation and supply	7,035.1	4.2	8,337.3	4.2	14,125.3	5.8	6,271.7	5.6	7,951.2	8.9
Media and culture	8,790.3	5.3	8,640.6	4.4	8,835.7	3.6	4,016.0	3.6	3,617.8	4.0
Others	2,796.3	1.7	2,700.4	1.4	5,931.2	2.4	1,315.2	1.2	2,598.3	2.9
Total	**167,482.6**	**100.00**	**196,904.2**	**100.00**	**245,184.9**	**100.00**	**111,845.4**	**100.0**	**89,375.1**	**100.0**

Corporate Structure

The following chart illustrates the simplified corporate structure of the Group, which shows the Company, its sole shareholder, the Guarantor, the KW Note Issuer and their respective equity interest holdings at 30 June 2020:



1. Sichuan SASAC is authorized by Sichuan Government to perform shareholder's duties.
2. Directly or through various directly and wholly owned subsidiaries of Sichuan Communications.
3. The Group directly holds 2.32% of Sichuan Energy Investment Development Co., Ltd shares, and therefore, the Group aggregately holds 39.03% of its share.

The Company is a state-owned company wholly owned by Sichuan Government. It was incorporated on 24 December 2008 with a registered capital of RMB80 billion. The registered capital was injected into the Company by instalments. By 30 June 2020, Sichuan Government had injected an aggregate amount of RMB74.0 billion into the Company, amounting to 92.5% of the registered capital.

The Company was established pursuant to Chuanfuhan [2008] No. 330 The Notice of Establishing Sichuan Development Holding Co., Ltd. by the People's Government of Sichuan Province (川府函[2008]330號《四川省人民政府關於組建四川發展(控股)有限責任公司的通知》) of the Sichuan Government dated 28 November 2008 with the aims of (i) directing different sources of funds to the Sichuan Province for the development of strategic sectors and major infrastructure, and (ii) preserving and enhancing the value of state-owned assets and ensuring their security. The Company was mandated to leverage its own strengths to raise capital from the capital market and participate in equity investment. It was also required to manage and operate state-owned assets under modern management philosophy and operating style. On 17 June 2014, the Company was classified as Sichuan Province's sole provincial-level state-owned capital operation company by the Sichuan Government under Chuanfuhan [2014] No. 110 (川府函[2014]110號).

The Company's operating subsidiaries and assets were mainly transferred to the Company from various departments of the Sichuan Government by way of equity transfer (in the case of equity interests in the subsidiaries) and asset transfer (in the case of ownerships in land, buildings, plants, machinery, mining rights, and intellectual property rights) between 2008 and 2011. The subsidiaries carry on a broad spectrum of businesses, including transportation infrastructure construction and operation, general trading, power generation and supply, and media and culture, among others.

In recognition of the Company's good-quality assets portfolio, sound corporate governance and strict risk management system, CCXI (中誠信國際信用評級有限責任公司), a sino-foreign jointly-owned credit rating agency, assigned an "AAA" corporate credit rating to the Company for 11 consecutive years from 2009 to 2020. Fitch assigned an "A-" rating (outlook stable) to the Company in September 2016 and affirmed the "A-" rating (outlook stable) since 2017 to 2020.

The following are a number of the key events in the corporate development of the Group:

1987	Sichuan Salt was established
1988	Sichuan Airlines was established
1992	Sichuan Expressway Construction Development Corporation (四川高速公路建設開發總公司) was established
1997	Sichuan Expressway was listed on the Hong Kong Stock Exchange in October
2003	Sichuan Road & Bridge was listed on the Shanghai Stock Exchange in March, which is the first transportation company in Sichuan Province listed in the PRC
2007	Xinhua Winshare was listed on the Hong Kong Stock Exchange in May
2008	Sichuan Railway was established
2009	Sichuan Expressway was listed on the Shanghai Stock Exchange in July
2010	Sichuan Communications was established

2011	Sichuan Energy was established
2014	The Company was classified as Sichuan Province's sole provincial-level state-owned capital operation company
2015	According to Opinion issued by Sichuan Provincial Government on Accelerating the Development of Productive Service Industry and Promoting Industrial Restructuring and Upgrading (Chuanfufa [2015] No. 25)《四川省人民政府關於加快發展生產性服務業促進產業結構調整升級的實施意見》(川府發[2015]25號), the Sichuan Government has explicitly supported the Company "to establish a regional financial holding comp"
2016	Fitch assigned an "A-" rating (outlook stable) to the Company in September 2016, which is the highest rating assigned by international rating agencies to a company based in the west of China
	Xinhua Winshare was listed on the Shanghai Stock Exchange in August
2017	Tianfu (Sichuan) Credit Enhancement Co., Ltd. was established
2018	By the end of 2018, the consolidated total assets of the Company reached RMB1,000 billion
2019	In July 2019 Sichuan Development Rail Transit Industry Investment Co., Ltd.(四川發展軌道交通產業投資有限公司), a subsidiary of the Company focusing on investment in the rail transit industry, was established
	In October 2019, Sichuan Development Environment Investment Group Co., Ltd.(四川發展環境投資集團有限公司), a subsidiary of the Company focusing on investment in the environmental protection and restoration field, was established
2020	In February 2020, Sichuan Development Modern Service Investment Group Co., Ltd.(四川發展現代服務業投資集團有限責任公司), a subsidiary of the Company focusing on investment in modern services field, was established

RECENT DEVELOPMENTS

Impacts of COVID-19 pandemic

The Group's business operation was impacted by the suspension of work, suspension of road tolls and restrictions on travelling resulted from the COVID-19 pandemic in the first half of 2020, especially in transportation infrastructure construction industry and airline industry. However, following the national resumption of work, resumption of road tolls and ease of travelling restrictions, the Group's business operation has been recovering and its financial performance has indicated a remarkable recovery in the second half of 2020. It is expected that the impact of COVID-19 pandemic on the Group is limited from a long-term perspective.

The Group's unpaid overdue loans inherited out of a historical transfer of certain assets and liabilities driven by its controlling shareholder

The Group has five historical unpaid debts with an aggregate principal amount of approximately RMB303.9 million as at 30 June 2020 as set out in Note 29(1) to the Company's consolidated financial statements as at and for the six months ended 30 June 2020 on pages F-131 of this Offering Circular. These unpaid debts were inherited by the Group in 2018 out of a historical transfer of certain assets and liabilities as the Company is tasked by its controlling shareholder, Sichuan SASAC to restructure these assets and liabilities. These assets and liabilities, including these unpaid debts, were eventually consolidated into the Company's consolidated financial statements since 2018. All of these unpaid debts were historical and overdue before the Group inherited such assets and liabilities and four of them have been outstanding for at least the last five financial years, and the other one has been outstanding for over two years. All of the loans were recorded on the financial statement of a wholly-owned second-tier subsidiary of the Group, which is not a Principal Subsidiary as defined in the Terms and Conditions. The Group has been restructuring these overdue loans, clearing up the outstanding payment and optimizing the operation of healthy assets in the inherited assets and liabilities. As at 25 November 2020, the Group's unpaid principal of the overdue loans has been reduced to RMB207.9 million.

Financial results of the Company as at and for the nine months ended 30 September 2020

On 30 October 2020, the Company published its unaudited and unreviewed financial information as at and for the nine months ended 30 September 2020 (the "**September 2020 Financial Information**") in accordance with applicable PRC regulations. The selected financial trends explained below were reflected in the management accounts of the Company, and are not to be, and should not be, taken as an indication of the expected financial condition or results of operations of the Company for the full financial year ending 31 December 2020. For the avoidance of doubt, the September 2020 Financial Information is not and shall not be deemed to be incorporated by reference or otherwise included in this Offering Circular. Such information has not been subject to an audit or review by any independent auditor and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

For the nine months ended 30 September 2020, the Company recorded a decrease in total operating revenue compared to the same period in 2019. The Company also recorded significant decreases in operating profit and net profit during the nine months ended 30 September 2020 compared to the same period in 2019. Such changes primarily attributable to the decline in operating performance, particularly on the transportation infrastructure construction and operation and power generation and supply segments, which results from the impact of the COVID-19 outbreak. As at 30 September 2020, the Company recorded a decrease in cash and cash equivalents, as compared to as at 30 June 2020, mainly due to the increase in cash disbursement for debt repayment and dividend distribution and the decrease in cash flow generated by operating activities resulting from the impact of the COVID-19 outbreak.

Financial results of the Guarantor as at and for the five months ended 30 November 2020

The Guarantor recorded significant losses before taxation for the five months ended 30 November 2020, while it recorded profits before taxation for the same period in 2019. Such changes reflect the results of (i) the slight decrease in gross profit margin, (ii) the different depreciation rate in the new aircrafts compared to the last year, (iii) the increase in financial expenses and (iv) the decrease in investment income as a result of the impact of the COVID-19 outbreak and spread. The Guarantor's cash and cash equivalents decreased significantly as at 30 November 2020, as compared to as at 30 June 2020, primarily attributable to an increase in lending activity as well as the cash disbursement for time deposit and acquisition of aircraft assets. As a result of the decrease in the Guarantor 's cash and cash equivalents, the Guarantor recorded a decrease in total current assets as at 30 November 2020, as compared to as at 30 June 2020. The Guarantor recorded a significant increase in total current liabilities as at 30 November 2020, as compared to as at 30 June 2020, mainly due to the changes in accounting

policies. As at 30 November 2020, the Guarantor's net current assets decreased, as compared to as at 30 June 2020, mainly due to the decrease in cash and cash equivalents and the changes in accounting policies.

The selected financial trends explained above were reflected in the management accounts of the Guarantor, and are not to be, and should not be, taken as an indication of the expected financial condition or results of operations of the Guarantor for the full financial year ending 31 December 2020. For the avoidance of doubt, save as aforesaid, financial information of the Guarantor for the five months ended 30 November 2020 is not and shall not be deemed to be incorporated by reference or otherwise included in the Offering Circular. Such information has not been audited or reviewed and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review.

COMPETITIVE STRENGTHS

The Company believes that the Group possesses the following competitive strengths:

Comprehensive Government Support

The Group is well positioned to capitalise on the strong support from the Sichuan Government and its status as the only provincial-level state-owned capital operation company in Sichuan Province, such that state-owned assets could deliver greater utilities under the Group's management. The support of the government includes the following measures:

Support for its operations: The Company was established by the Sichuan Government with a registered capital of RMB80 billion. As at 30 June 2020, RMB74.0 billion has been paid in by the Sichuan Government. The Group's transportation infrastructure construction and operation business and power generation and supply business receive capital support from the Sichuan Government through various forms. As at 31 December 2019, the Company has received financial support from Sichuan Government in a total amount of approximately RMB127.5 billion (RMB19.1 billion, RMB4.3 billion, RMB12.1 billion, RMB7.1 billion, RMB6.6 billion, RMB7.3 billion, RMB18.7 billion, RMB16.6 billion, RMB8.2 billion, RMB13.6 billion, and RMB13.9 billion in 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019, respectively). For the six months ended 30 June 2020, the Group received a total of RMB6.2 billion government grants and subsidies including government special funds for railway (63%), vehicle purchase tax revenue (13%), subsidies for cancellation of tax tolls (11%), rural grid subsidies (11%) and others. In addition, certain amount (depending on the Group's toll road construction plan of the year) of the vehicle purchase tax revenue that the Sichuan Government collects is transferred to the Company each year, and is recognised as capital reserves. In 2017, 2018, 2019 and the first half of 2020, the Group received vehicle purchase tax revenue of RMB3,800 million, RMB6,633 million, RMB5,941 million and RMB789 million, respectively.

Guaranteed minimum dividends and entitlement to premium from disposal of state-owned assets: All investment subsidiaries that operate state-owned assets are required to pay dividends of not less than 20% of their operating profits to the Company each year. Furthermore, the Company is permitted to keep any premium realised from the disposal of any state-owned asset.

Permission to develop land resources: The Sichuan Government authorises the Group to establish a land resources management and operation centre, i.e. the Sichuan Development Land Asset Operation Management Co., Ltd.（四川發展土地資產運營管理有限公司）to centralise the planning, management, polling, consolidation, transfer and development of the land resources. The profits realised from the management of such land resources are allowed to be fund the development of the Group's projects.

PRC tax benefit: Benefiting from the "Western Development Programme（西部大開發戰略）", certain of the Group's operating subsidiaries are subject to an income tax rate of 15%, as compared with the statutory rate of 25% under the EIT Law. In addition, certain of the Group's operating subsidiaries receive tax exemption treatment. See "*Media and Culture Business - Preferential Tax Treatment*" below.

Project procurement: The Company has been the designated entity to implement the shanty area renovation project in Sichuan Province. As at 30 June 2020, the Company received a total of RMB68.1 billion credit facility from China Development Bank and has used RMB67.0 billion facility with outstanding loans amounted to RMB46.2 billion. The Group has also been given the opportunity to participate in a number of clean energy investment projects in Sichuan and to acquire high-quality assets and businesses in Sichuan Province with stable returns. The Group has also been designated by the Sichuan Government to accelerate the construction of the railway network and highway network, consolidate the intra-province transportation network, expand domestic and international routes, promote the construction and upgrade of the power grid and develop clean energy projects.

Sichuan Province's Sole Provincial-level State-owned Capital Operation Company

The Group is the only provincial-level state-owned capital operation company in Sichuan Province. The Group is the first state-owned enterprise in Sichuan Province which has a total asset amounted over 1,000 billion. The Group plays the core role of leading all types of funds, promoting major construction projects and development of major industries. It has an unique and irreplaceable strategic position and is a key and indispensable functional enterprise in Sichuan Province. As at 30 June 2020, according to the published data on Sichuan SASAC's website, the Group's total assets, shareholders' equities and total revenue accounted for 70.1%, 51.5% and 59.3%, respectively, of all companies directly supervised by Sichuan SASAC. The Company enjoys the benefits and advantages of Sichuan Province's strategic location and strong economic growth. Sichuan Province is located in, and a gateway to, Western China, being a geographical region that covers eight provinces, three autonomous regions and one municipality located in the western area of China, including Shaanxi Province, Sichuan Province, Yunnan Province, Guizhou Province, Guangxi Province, Gansu Province, Qinghai Province, Ningxia Province, Tibet, Xinjiang, Inner Mongolia and Chongqing Municipality. Sichuan Province is also seated at the nexus of Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta Economic Zones, and is a key spot of "One Belt One Road" international transportation corridor. Sichuan Province has a significant strategic position in the national railway network and is the western hub of the network. With abundant hydropower and mineral resources, high-technology industries and talents, a vast rural hinterland and mountainous terrain occupied by ethnic minorities, Sichuan Province is a strategic region for implementing the Western Development Programme and developing the economy in Western China. Fitch assigned an "A-" rating (outlook stable) to the Company in September 2016 and affirmed the "A-" rating (outlook stable) since 2017 to 2020, which is the highest rating assigned by international rating agencies to a company based in Western China.

Diversified business portfolio with stable growth

The Group's diversified business portfolio exposes the Group to the business opportunities in a wider range of sectors that are very important to the economy and the development of Sichuan Province. This also expedites the Group's transformation into a diversified conglomerate. Since the "13th Five-Year Plan", the Group has been implementing its strategy to enhance its leading position in transportation, power generation and supply, culture and media, and financial services among the various businesses and to provide integrated public service for city development. It believes that its diversified business portfolio provides an opportunity to explore the synergy among the various businesses it operates, brings in stable revenues and makes it less vulnerable to business cycles in the relevant industries and the domestic and international economies. The Group is tasked with a key role to provide financing for the construction, management and operation of transportation infrastructure projects within Sichuan Province. The Group directly injects its funds into the infrastructure projects and actively raises external funds in the capital markets to indirectly invest in the projects. By employing a wide array of financial

instruments, the Group has reduced costs for the development of many highway, aviation and railway infrastructure facilities within Sichuan Province due to its good credit record. The Group also maintains good relationships with nationally recognised enterprises as business partners across the business segments and with major commercial banks in the PRC. While the Group's strategic focus is on its core business segments, the Group will continue to cultivate new businesses such as aircraft leasing.

Since 2013, the Group has been trying to expand the financial and quasi-financial services it provides to include banking, securities, trust, insurance and other comprehensive financial services. This expansion is an important step of the Group to diversify its business portfolio and has allowed the Group to broaden its financing channels to access low-cost capital, which in turn is used to promote its operating activities and investments. The inherent diversity and innovative nature of financial services offer unlimited opportunities for the Group to further explore and exploit.

Integrate the Province's Advantageous Resources and Promote the Constructions of Major Projects in the Province

The Company invests in and controls a number of specialised investment and financing companies in various industries. In 2014, the Company was classified as Sichuan Province's sole provincial-level state-owned capital operation company by Sichuan Government. The Company is mandated to undertake five missions, namely: (i) implementing the Western China economic centre strategy, (ii) consolidating competitive state-owned assets, (iii) developing regional leading enterprises, (iv) advancing the reform of the local investment and financing system, and (v) completing major infrastructure projects. Having absorbed and consolidated a large number of state-owned enterprises and state-owned assets since its establishment in December 2008, the Company believes that the Group has established itself as a leader in various sectors in which it operates. As at 30 June 2020, according to the Sichuan Transportation Department, the Group operated approximately 78% of the expressways in Sichuan Province in total. The Group is also a major electricity generator and provider for the rural areas in Sichuan Province.

Moreover, the Company, through its subsidiaries in the publishing industry, owns 53.04% equity interest of Xinhua Winshare, which is a leader in the publication, media and culture business in Sichuan Province as at 30 June 2020. Xinhua Winshare is also the first domestic publisher listed in the Hong Kong Stock Exchange. In August 2016, Xinhua Winshare successfully completed the listing of A shares by way of initial public offering, thus becoming the first publishing and distribution enterprise with a dual listing status on both the A+H markets.

As the backbone of transportation infrastructure construction and operation in Sichuan Province, the Group holds a leading position in provincial expressway investments, constructions and operations. As at 30 June 2020, the Group was engaged in the operation of 86 toll roads (of which 61 were complete and fully open with a total length of 5,841 kilometres and 25 were still under construction and in partial operation). The Group is also the only railway construction and operation entity in Sichuan Province. As at 30 June 2020, the Group had 25 key national and regional railway lines in operation or under construction with an aggregate mileage of approximately 3,911 km. The Group has also undertaken a large amount of bridge construction projects, including 154 bridges over Yangtze River. The Group's expressway construction business has a market share of approximately 30% of the expressway construction business in Sichuan Province. Of all the expressways for which the Group holds controlling shares, about 71% are categorised as operating expressways（經營性高速公路）. All of these are the most important toll roads in Sichuan Province, constituting a key component in the national highway network with sound income. The Group's toll road operation business has a leading position in Sichuan Province. As at 30 June 2020, the Group operated 86 toll roads with a total length of 9,084.7 kilometres. As at 30 June 2020, according to the operational data published by Sichuan Transportation Department on the website of the Peoples' Government of Sichuan Province, the aggregate length of operating expressway in Sichuan Province amounted to over 7,500 kilometres. The Group is the first enterprise in Sichuan Province that holds both A-grade qualification for road design and test and the premium qualification of general contracting in road engineering design and construction and enjoys good reputation both at home and abroad. The Group also owns the fifth largest independent operated

airline in the PRC, which owns the largest all-airbus fleet in China. According to the CAAC, the Group and Sichuan SASAC collectively own Chengdu Shuangliu International Airport. Chengdu Shuangliu International Airport had a passenger traffic of 55.9 million in the year of 2019 and 16.0 million in the first half of 2020 and had 363 routes (128 international and regional routes, 217 domestic routes and 18 international routes with domestic stopover) as at 31 May 2020. It is the largest aviation hub in central and western China and the fourth largest airport of China in terms of passenger traffic in 2019. The Group also owns Jiuzhai Huanglong Airport, which sits in the intersection of two popular tourist sites, Jiuzhaigou and Huanglong and is one of the busiest regional airports in Sichuan and China. The Group is also the largest airline, airport and ancillary services operator in Southwest China.

The Group plays an important role in the construction, upgrading and operation of the power grid in Sichuan Province's rural areas and is the sole corporate that is engaged in the upgrading of rural grid network and power construction for rural areas that have no access to power in Sichuan Province. The Group's operational model combines the generation and transmission of electricity. As at 30 June 2020, Sichuan Energy held controlling equity interests in 132 hydropower plants and non-controlling equity interest in several national large-scale hydropower plants, such as Xiangjiaba Hydropower Plant（向家壩水電站）, Xiluodu Hydropower Plant（溪洛渡水電站）, Baihetan Hydropower Plant（白鶴灘水電站）, Wudongde Hydropower Plant（烏東德水電站）, etc. with an aggregate attributable installed capacity of 5,820 MW, and six biomass power plants with an attributable installed capacity of 109.5 MW in commercial operation, eight wind farms with an attributable installed capacity of 479 MW and 17 photovoltaic power projects with an attributable installed capacity of 418 MW. In addition, the Group has been authorised by the Sichuan Government to consolidate 113 local power enterprises within the province with the aim of forming a collaborative and resource-sharing local power grid to supplement the national power grid. The Group's grid currently covers 13.23% of the geographic area of Sichuan Province. After business consolidation with other local state-owned power generation companies at provincial level, the coverage ratio is expected to increase to 75%. The Group's media and culture segment operated a retail network of 170 outlets with an aggregate operational floor area of more than 150,000 sq. metres in Sichuan Province as at 30 June 2020.

In addition, as at 30 June 2020, the Group owned and operated nine publishing houses, two brands of newspaper, 11 brands of magazines and one publishing house of audio-visual products and digital products. In the first half of 2020, the Group published more than 70 categories of books that were selected into national and provincial programmes, among which five categories were selected into national programmes. Furthermore, Xinhua Winshare is the exclusive distributor and sole publisher of all sponsored primary and secondary school textbooks in Sichuan with a market share of over 60% in Sichuan. It is also the chief supplier of all non-sponsored textbooks.

The Group is the primary enterprise that produces and sells edible salt in Sichuan Province with sales network covering the entire Sichuan Province. The Group is the sole provincial-level state-owned capital operation company and the most important company in the state-owned asset reform in Sichuan Province.

Management team with abundant experiences

The Company has an experienced senior management team, with over 20 years of experience on average in the management of state-owned enterprises that operate in the same sectors as the Group, most of whom have joined the Group since the incorporation of the Company. Many of the Company's directors have also previously served as senior officials of the Sichuan Government or Sichuan SASAC and are familiar with governmental policies, regulations and procedures. See "*Directors and Supervisors*" of this Offering Circular. Under the sound leadership of its management team and leveraging their past experience, the Group has successfully completed the acquisition of its key operating subsidiaries and has secured the permission from the Sichuan Government to conduct capital operation, which was a milestone event in the corporate development of the Group. Furthermore, the Group has been established

as the only provincial-level state-owned capital operation company in Sichuan Province through successful execution of the strategic vision of the management team. The Company does not expect any material change in the constitution of its management team in the near future.

Balanced and Optimized Financing Policies with Prudent and Excellent Debt Management

The Group has access to various sources of capital to secure sufficient liquidity and to achieve optimal capital structure. The Group has constantly optimised its debt structure with increased long-term debt proportion and declining funding cost. The table below sets forth the Group's long-term borrowings proportion as at and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2017	2018	2019	2019	2020
	(RMB in millions, except percentages)				
Long-term borrowings non-current portion	457,388	532,326	570,021	567,682	614,718
Total borrowings	536,465	625,357	685,304	675,345	743,977
Long-term borrowings proportion[(1)]	85%	85%	83%	84%	83%

(1) equals long-term borrowings as at the date indicated divided by total borrowings as at the same date.

The Group has cultivated a long-term and close relationship with a number of reputable domestic and international banks, such as China Development Bank, The Export-Import Bank of China, Agricultural Development Bank of China, Postal Savings Bank of China, Industrial and Commercial Bank of China Limited, Bank of China, China Construction Bank Corporation, Agricultural Bank of China, Bank of Communications, China CITIC Bank, China Minsheng Bank, China Guangfa Bank, China Everbright Bank, Standard Chartered Bank, Natixis, Huaxia Bank and Industrial Bank. As at 30 June 2020, the Group had obtained credit facilities of approximately RMB1,136.7 billion in aggregate, out of which approximately RMB560.6 billion had not been utilised. As at the end of 30 June 2020, the Group raised financing amounted to RMB259.4 billion through acquisition of working capital loans and issuance of corporate bonds, company bonds and medium-term notes and completed investment projects of up to RMB333.8 billion. In January 2018, the Company set up the USD2 billion offshore medium-term note programme. In July 2014 and October 2018, the Company successfully issued RMB1 billion 3-year dim sum bonds and USD500 million 3-year senior notes, respectively. In July 2018, the Company successfully acquired USD295 million syndicated loan for developing international aviation leasing projects. The Company also participates in the onshore and offshore debt capital markets, issuing multiple series of medium-term notes, short-term financing bills, super-short-term financing bills and privately placed financing instruments in China and in Hong Kong.

The Group's diversified financing channels have also helped the Group to achieve an optimal capital structure and to increase financial stability. As at 30 June 2020, 17.4% of the Group's total borrowings was short-term due within one year. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's debt ratio, being the total borrowings divided by the total assets, was 59.2%, 59.2%, 59.7% and 61.7%, respectively. As at the same dates, the Group's net debt ratio, being the total borrowings minus cash or cash equivalents, divided by total assets, was 48.8%, 48.1%, 49.7% and 51.8%, respectively. Total debt consists of short-term loans, long-term borrowings due within one year, long-term debenture due within one year, short-term bonds payable, long-term borrowings, bonds payable and finance lease payable. The Group has monitored and will continue to closely monitor the changes in the financial markets to select financing channels in a strategic manner to control financing costs and achieve optimal capital structure, particularly in a volatile environment.

STRATEGIES

The Company's general strategy is to continue to raise funding to finance the development of major infrastructure within Sichuan Province, and to reinforce the strategic transition from assets management to capital operation, according to the Sichuan Government's decision to enlarge the Company's business scope (Chuanfuhan [2014] No. 110) issued on 17 June 2014. The Company also aims at promoting the development of its financial and quasi-financial services business and strengthening the functions of the financial and quasi-financial services business in the future. The Company intends to leverage the Group's competitive strengths and pursue the following strategies to achieve such objectives.

Actively serve major national and provincial strategies

As the sole provincial-level state-owned capital operation platform under the management of Sichuan SASAC, the Group shoulders the responsibility to serve major national and provincial strategies. It dedicates to significantly improve its ability to serve the implementation of major national and provincial strategies by actively participating in the formation of the Chengdu-Chongqing twin city economic circle and the construction of major region developments and key projects, so as to become the pioneer of reforming of state-owned enterprises and industrial developments in Sichuan province and take lead in industrial transformation and innovative developments in Sichuan province. In addition, the Group is determined to largely enhance its influence and competitiveness in the international and domestic markets through forming and strengthening the integration capability of resources, the utilisation capability of capital market tools and the planning and development capability of investment layout and industrial development, which are capabilities a company facing international competition and markets should be equipped with. Last but not least, the Group devotes to greatly improve its innovation capabilities and operational control capabilities by leveraging the cultivation of its core competitiveness of innovation so as to establish a more active and modernised corporate governance structure and mechanism and improve its profit ration and sustainable development capability while undertaking the responsibilities of a state-owned enterprise.

In order to serve the major national and provincial strategies, the Group aims to establish four platforms, namely the industry investment leading platform, the technology innovation driven platform, the enterprise reform and development platform and the opening and cooperation platform.

The industry investment leading platform focuses on promoting the advancement of the province's industrial base and the modernization of the industrial chain, promoting the high-quality development of 5+1 modern industry, 10+3 modern agriculture and 4+6 modern service industry, increasing investment, and leading the integration of various elements and resources, prompting major industries to be embedded in the national and global industrial chains, value chains, and innovation chains, to help build world-class industrial clusters and important national industrial bases with unique advantages.

The technology innovation driven platform focuses on the goal of building a nationally influential science and technology innovation center in Sichuan province, highlighting the dominant position of enterprises, actively participating in the construction of a platform for the aggregation of scientific and technological innovation elements and an investment service system, promoting innovation capabilities, cultivating emerging industries, and empowering traditional industries. It also keeps seizing the development opportunities brought by the new technological reforms, strengthening investment in forward-looking industries, and leading the cultivation and development of frontier industries.

The enterprise reform and development platform are guided by marketization, adheres to the principle of "survival for the fittest", promotes the integration and reorganization of provincial state-owned assets, optimizes the layout and advances in the high-end industry. It also serves the goals to increase the vitalization of stocks, enhance liquidity, improve operational efficiency, actively promote the mixed reform, implement system mechanisms, management, talents and other elements, which will enhance the competitiveness, innovation, control, influence and risk resistance of the state-owned economy.

The opening and cooperation platform is proposed based on the "dual-cycle" new development pattern and is to create a high-level overseas investment service system to implement the inland opening-up strategic and boost the high-land construction of Sichuan, strengthen exchanges and cooperation with outstanding domestic and foreign enterprises, access to a wider range of markets and resources, consolidate assets, and construct a new mechanism for exchanges and cooperation with domestic key regions so as to form integrated development advantages and promote regional cooperation and development.

Actively develop its financial and quasi-financial services business to complement its industrial segments

The Group intends to intensify the development of its financial and quasi-financial services business to complement its industrial segments, which are better developed and require a variety of funding channels and a steady inflow of working capital. At present, the Group's financial and quasi-financial services business comprises a cluster of urban commercial banks, securities companies, guarantee corporations and equity funds.

To strengthen the functions of its financial and quasi-financial services business, the Group plans to acquire and establish new operating entities for this business. Under the Group's development plan, commercial banks, securities companies, trust corporations and insurance companies will form the mainstays of its enhanced financial and quasi-financial services business whereas guarantee corporations, industrial funds and private equity funds will form the ancillaries. The Group anticipates the culmination of synergies between its industrial segments and financial and quasi-financial services segment as the former could raise funds through the latter's funding channels while the latter could benefit from the former's demand for financial services. The Company strives to integrate the assets and businesses of its subsidiaries. These have initiated the formation of a multi-level financial operation incorporating credit assurance, small loans, trust, insurance etc., and have given an impetus to resources sharing and synergies among subsidiaries, as well as to the development of mainstream finance. Upon such integration, the Company aims to realise the integrated development of its current major business segments and financial capital services, which will optimise resource allocation, enhance operating efficiency, and improve profitability. According to the plan of the Sichuan Provincial Committee of the CPC and Sichuan Government, the Group will be built into a nationally-recognised financial holding group. The Group plans to form a provincial-level comprehensive financial services system and push forward the construction of a "Western Financial Hub" of China. The Group plans to take the supporting role of financial services, through equity investment and capital operation, to invest more social capital in technologically-advanced, innovative and strategic industries and to promote supply-side structural reform. In addition, the Group intends to fully utilise the investing and financing functions and provide capital to support major projects in the Sichuan Province. In addition, the Group will promote, by different categories, mergers and acquisitions of provincial-level SOEs, diversification of equities and securitisation of assets. By revitalising stock assets, the Group aims to improve allocative efficiency of resources. With the aim of building the provincial-level SOE reform platform, the Group will promote mixed-ownership reform of provincial-level SOEs, optimise equity structures, modernise enterprise institutions, improve asset securitisation and strengthen market-oriented operation capabilities.

Continue to maintain and improve its leading market position in the transportation infrastructure construction and operation business in Sichuan Province

Capitalising on Sichuan's rapidly growing transportation infrastructure construction, the Group will continue to maintain and improve its leading market position in the transportation infrastructure construction and operation business in Sichuan Province. Benefiting from the national strategy of developing Chengdu-Chongqing urban cluster and the Yangtze River Economic Zone, the Group will expedite the construction of an integrated Chengdu-centered provincial railway network and promote the economic transformation of Chengdu and advance the development of four urban clusters: Chengdu, South Sichuan, Northeast Sichuan and Panxi. Traditionally, the Group has expanded its business principally through external financing. The Group plans to improve the efficiency and size of its

operation through focusing on increasing the return on equity. To achieve the goal, the Group will continue to consolidate its assets and resources to focus on its key business. Meanwhile, the Group will maintain the diversity of its business to suit the evolving market conditions. In the railway construction field, the Group actively engages in the construction of independently-owned provincial railways while continuously enhancing the external connectivity of Sichuan Province. At the same time, following the "Comprehensive Transportation"strategy, the Group utilises its advantage as an integrated road and railway construction company, actively participating in the construction of national railways.

Maintain and strengthen its position as a leading publishing and distribution group in China

The Group plans to take advantage of Sichuan Province's cultural diversity and the Group's longstanding working relationships with authors to publish a series of products that feature Sichuan Province's unique and sophisticated culture and diverse ethnicity. It also plans to carry out relevant publicity and promotional activities. By focusing on cultural topics and presenting such topics in an attractive manner, the Group aspires to build a brand image associated with culture.

The Group also intends to leverage its well-recognised brand names of "Xinhua Winshare 新華文軒" and "Xinhua Bookstore 新華書店" and existing distribution channels within and outside Sichuan Province to expand its online sales capacity. To complement the expansion of the online sales platform, the Group plans to strengthen its abilities to produce, promote, sell and deliver digitalised products.

By creating a brand image associated with culture and capturing the growing sales opportunities on the Internet, the Group will strive to maintain and strengthen its position as a leading publishing and distribution group in China.

Expand its operations to become an integrated energy services provider in Sichuan

The Group plans to enhance its leading position in power generation and operation in Sichuan Province by increasing investments, improving management and expanding operational coverage, with an aim to build an integrated platform that provides diversified energy resources to local clients.

The Group is engaged in power generation and supply business in various forms, principally in hydropower. As at 30 June 2020, the Group held equity interests in 174 hydropower plants, six biomass power plants, eight wind farms and 17 photovoltaic power projects in commercial operation with an aggregate attributable installed capacity of 7,784.1 MW. The Group may continue to intensify its regional presence in Sichuan Province through grid construction and upgrades in rural areas.

The Group may also leverage its strong tie with the government to expand in the clean and renewable energy sector. For instance, the Group plans to participate in the natural gas pipeline construction in Sichuan Province through cooperation with major market players in the PRC. Capitalising on its extensive expressway network throughout Sichuan Province, the Group plans to build LNG (liquefied natural gas) and CNG (compressed natural gas) stations along the expressways that it constructs and/or operates. Depending on the geological characteristics and resources distribution, the Group conducts exploitation and exploration of compressed natural gas and coalbed methane to establish its first-mover advantage in the clean energy sector in Sichuan Province. The Group serves more than 50 counties (including municipalities and districts), 450,000 population and merchants with an annual natural gas distribution of more than 3 billion cubic meters. The Group is also actively expediting the construction of "Sichuan-Chongqing Great Ring" natural gas pipeline network, as well as "province-wide LNG logistics network", China Tianfu Smart Energy Sharing Digital Hub, and Sichuan Gas Storage Peaking Adjustment Project. Going forward, the Group will continue to accelerate the promotion of overseas gas and international energy trading business.

Transportation Infrastructure Construction and Operation

The Group's transportation infrastructure construction and operation business consists of (i) toll roads construction and operation, (ii) railway and bridge construction and operation and (iii) air transportation. As at 30 June 2020, the Group was engaged in the operation and construction of toll roads and railway, and air transportation. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's transportation infrastructure construction and operation business contributed RMB59,872.5 million, RMB76,520.9 million, RMB99,004.3 million, RMB37,210.3 million and RMB36,805.1 million in total operating income, respectively, accounting for approximately 35.7%, 38.9%, 40.4%, 33.3% and 41.2%, respectively, of the Group's total operating income from principal businesses.

Toll Roads Construction and Operation

The Group's toll roads principally span over Sichuan Province in China. The Group plays a dominant role in provincial transportation infrastructure construction and operation. As at 30 June 2020, the Group held an interest in and operated a total of 86 expressway projects (of which 61 were complete and in full operation with a total length of 5,841 kilometres and 25 were still under construction and in partial operation). As at 30 June 2020, the Group has conducted maintenance on over 4,300 km roads, taking up over two thirds of road maintenance market in Sichuan Province, being the largest player in Sichuan Province and a frontier player in China. As the main participant of transportation infrastructure construction and operation in Sichuan Province, the Group is the main force and the leader of the construction and toll road operation market in Sichuan Province. The Group's expressway construction business has a market share of approximately 30% of the expressway construction business in Sichuan Province. The Group's toll road operation business has a leading position in Sichuan Province. As at 30 June 2020, the Group operated 86 toll roads with a total length of 9,084.7 kilometres. As at 30 June 2020, out of the 21 expressways that links Sichuan Province to other provinces, 17 were constructed by the Group. As at 30 June 2020, according to the operational data published by the Sichuan Transportation Department on the website of the People's Government of Sichuan Province, the aggregate length of operating expressways in Sichuan Province amounted to over 7,520 kilometres, ranking the second in China and is expected to exceed 8,000 kilometres by the end of 2020. The Group operates the toll road construction and operation business mainly through the Company's wholly-owned subsidiaries, Sichuan Communications and Sichuan Railway.

Sichuan Communications

Sichuan Communications was established in 2010, with its primary objectives being financing, constructing and operating major transportation infrastructure projects in Sichuan, such as roads, ports, waterways, navigation and hydropower junctions, and passenger and freight terminals, pursuant to the transportation development layouts and the annual plan. As at 30 June 2020, it held a 35.9% equity interest in Sichuan Expressway.

The following table sets out certain information relating to Sichuan Communications' toll roads under construction through Sichuan Transportation as at 30 June 2020:

No.	Road under construction	Length under construction	Total investment	Investment as at 30 June 2020	Construction period
		(kilometres)	*(RMB in millions)*	*(RMB in millions)*	
1	Expansion of Chengle Express	138.4	23,133.5	3,382.0	2017-2022
2	Express from Chengdu Tianfu New District to Qionglai	42.0	8,685.0	20.0	2020-2023
3	Express from Kangding to Xinduqiao Kangding Passway Section	17.9	3,621.0	1,612.4	2018-2022
4	Wenma Express	172.0	28,708.6	26,469.1	2015-2020
5	Express from Jiuzhi (in the territory of Qingchuan) to Ma'erkang, Sichuan	224.0	30,198.4	2,044.7	2019-2024
6	Express from Luding to Shimian, Sichuan	97.0	17,408.0	471.0	2020-2024
7	Renmu Express (Renshou to Muchuan)	200.0	24,526.0	18,757.2	2014-2022
8	Mianjiu Express (Jiuzhaigou to Mianyang)	251.0	41,009.0	19,013.0	2016-2022
9	Luhuang Road (reconstruction and expansion)	69.9	3,853.0	3,730.0	2016-2021
10	Zitong Express	110.0	14,800.0	12,884.0	2017-2020
11	Lexi Express (Mabian to Zhaojue)	170.0	32,687.0	5,346.7	2019-2024
12	Dehui Express (Dechang to Huili)	76.9	12,065.0	1,613.9	2019-2023
13	Chengmian Cangba Express	320.7	59,459.0	2,976.4	2019-2023
14	Yanjiang Express (Xinshi to Jinyang)	168.2	38,613.0	178.0	2020-2025
15	Yanjiang Express (Jinyang to Ningnan)	93.9	21,643.0	54.0	2020-2025
16	Yanjiang Express (Ningnan to Panzhihua)	168.2	28,383.0	2,645.5	2020-2025
17	Poverty alleviation project of railway tourism from Dujiangyan to Siguniang Mountain	123.2	21,589.5	42.7	2019-2025
	Total	**2,443.2**	**410,381.9**	**101,240.6**	

The following table sets out the operating performance of Sichuan Communications' toll road operation through Sichuan Transportation during the years and periods indicated:

No.	Road	Road level	Interest held by Sichuan Transportation	Toll mileage	Toll period
			(as at 30 June 2020)	*(Kilometres)*	
1	Neiyi Express	National level	95.71	106.9	1999~2029
2	Yishui Express	National level	95.71	28.9	2006~2036
3	Longna Express	National level	91.8	87.8	2000~2030
4	Dayu Express	National level	99.1	165.8	2004~2034
5	Lingdian Express	National level	99.1	35.8	2008~2038
6	Chengnan Express	National level	100	215.4	2002~2032
7	Suihui Express	Provincial level	90.61	22.1	2002~2032
8	Suiyu Express	National and Provincial level	100	36.6	2007~2037
9	Nanyu Express	National level	100	66.0	2008~2038
10	Guangling Express	National level	93.95	44.6	2000~2030
11	Nanguang Express	National level	93.95	69.8	2004~2034
12	Mianguang Road Mosha Section	National level	100	135.2	2002~2027
13	Mianguang Road Shaling Section	National level	100	31.0	2002~2032
14	Chengdu Belt Express	National level	82.5	85.0	2002~2032
15	Luhuang Express	National level	99.39	70.0	2004~2034
16	Xipan Express	National level	99.39	162.8	2008~2038
17	Pantian Express	National level	99.39	59.4	2008~2038
18	Duying Express	Provincial level	99.88	25.1	2009~2039
19	Guangba Express	National level	93.75	122.2	2011~2040
20	Yaxi Express	National level	99.97	239.8	2013~2042
21	Guangnan Guangba Connection Express	National level	89.76	17.0	2013~2042
22	Lipan Express Huaping Section	National level	100	12.0	2016-2045
23	Yingwen Express	Provincial level	99.88	48.3	2012~2032
24	Guangshan Express	National level	95.91	56.8	2012~2032
25	Dawan Express	National level	97.71	63.8	2012~2032
26	Guangnan Express	National level	100	201.1	2013~2033
27	Naqian Express	National level	100	134.8	2012~2032
28	Dashan Express	National level	100	143.2	2012~2032
29	Chengdenan Express	Provincial level	100	178.3	2012~2032
30	Guanggan Express	National level	100	56.4	2012~2032
31	Leya Express	National level	98.41	112.2	2013~2033
32	Banan Express	Provincial level	81.08	116.0	2013~2033
33	Bada Express	National and Provincial level	100	109.6	2014~2034
34	Bashaan Express	National level	100	117.9	2018~2038
35	Lipan Express Panzhihua Section	National level	100	51.2	2019~2039
36	Chengmian Express	National level	40	91.9	1994~2024
37	Guangshaan Guangba Connection Express	Provincial level	100	19.5	2016~2036
38	New Renmu Express Renjing Pilot Section	National level	99.85	96.0	N/A[1]
39	Chengyu Express	National level	100	226.0	1997~2027
40	Chengle Express	National level	100	86.4	2000~2029
41	Chengya Express	National level	100	144.0	2000~2029
42	Chengbei Exit Express	Provincial level	60	10.5	1998~2024
43	Chengren Express	Provincial level	100	106.6	2012~2042
44	Suixi Express	Provincial level	100	67.6	2016~2046
45	Suiguang Express	Provincial level	100	102.9	2016~2046
46	Yakang Express	National level	100	134.5	2019~2039
47	Wenma Express	National level	100	148.0	N/A[1]
48	Jingyi Express	National level	85	95.0	2007-2037
	Total	–	–	**4,557.7**	–

Note:

(1) such road in under pilot operation and toll period is not determined.

No.	Operating Entity	Road under operation	Toll revenue			Traffic volume		
			Year ended 31 December			Year ended 31 December		
			2017	2018	2019	2017	2018	2019
			(RMB in millions)			*(vehicles in ten thousands/day)*		
1	Southern Sichuan High Grade Expressway Development Co., Ltd. (四川川南高等級公路開發股份有限公司)	Neiyi Express Yishui Express	445	514	611	2,280	2,658	2,788
2	Sichuan Nanfang Expressway Co., Ltd.(四川南方高速公路股份有限公司)	Longna Express	236	255	296	1,184	1,270	1,404
3	Sichuan Dayu Expressway Construction Development Co., Ltd. (四川達渝高速公路建設開發有限公司)	Dayu Express Lingdian Express	689	731	823	1,741	1,769	1,522
4	Sichuan Chengnan Expressway Co., Ltd.(四川成南高速公路有限責任公司)	Chengnan Express Nanwu Express Suiyu Express	1,304	1,371	1,449	3,478	3,681	3,517
5	Central Sichuan Expressway Investment, Construction and Development Co., Ltd. (四川中通高速公路投資建設開發有限公司)	Suihui Express	46	50	53	443	401	338
6	Eastern Sichuan Expressway Co., Ltd.(四川川東高速公路有限責任公司)	Guangling Express Nanguang Express	320	312	369	1,021	1,104	1,191
7	Western Sichuan Expressway Co., Ltd.(四川川西高速公路有限責任公司)							
8	Chengdu Circle Expressway (Western Sections) Co., Ltd. (成都市繞城高速公路(西段)有限責任公司)	Chengdu Belt Express	573	584	653	11,785	12,116	13,361
9	Sichuan Panxi Expressway Co., Ltd.(四川攀西高速公路股份有限公司)	Xipan Express Luhuang Express Pantian Express	649	649	749	1,515	1,522	1,668
10	Sichuan Duwen Expressway Co., Ltd.(四川都汶公路有限責任公司)	Duwen Express	264	310	338	566	621	486
11	Sichuan Expressway Construction Development Corporation(四川高速公路建設開發總公司)	Mianguang Express Mosha Section Guangshaan Express	1,408	1,399	1,227	1,124	1,084	972
12	Northern Sichuan Expressway Co., Ltd.(四川省川北高速公路股份有限公司)	Mianguang Express Shaling Section	205	232	153	280	269	187
13	Sichuan Guangba Expressway Co., Ltd.(四川廣巴高速公路有限責任公司)	Guangba Express Guangshaan Guangba Connection Express	213	218	230	713	727	746
14	Sichuan Yaxi Expressway Co., Ltd.(四川雅西高速公路有限責任公司)	Yaxi Express	1,044	934	1,209	554	665	579
15	Sichuan Naqian Expressway Co., Ltd.(四川納黔高速公路有限責任公司)	Naqian Express	504	562	637	546	606	655
16	Sichuan Dashaan Expressway Co., Ltd.(四川達陝高速公路有限責任公司)	Dashaan Express	640	745	849	510	551	630
17	Sichuan Dawan Expressway Co., Ltd.(四川達萬高速公路有限責任公司)	Dawan Epxress	094	117	121	186	242	215
18	Sichuan Guangnan Expressway Co., Ltd.(四川廣南高速公路有限責任公司)	Guangnan Express	590	579	731	746	809	870
19	Sichuan Guanggan Expressway Co., Ltd.(四川廣甘高速公路有限責任公司)	Guanggan Express	136	137	169	133	132	132
20	Sichuan Banan Expressway Co., Ltd.(四川巴南高速公路有限責任公司)	Banan Express	341	339	482	550	553	48700
21	Sichuan Yameile Expressway Co., Ltd.(四川雅眉樂高速公路有限責任公司)	Leya Express	222	217	223	719	738	726
22	Sichuan Chengdenan Expressway Co., Ltd.(四川成德南高速公路有限責任公司)	Chengdenan Express	694	716	900	804	815	811
23	Sichuan Bada Expressway Co., Ltd.(四川巴達高速公路有限責任公司)	Bada Express	210	220	228	538	568	616
24	Sichuan Bashaan Expressway Co., Ltd.(四川巴陝高速公路有限責任公司)	Bashaan Express	0	148	633	329	304	441
25	Sichuan Lipan Expressway Co., Ltd.(四川麗攀高速公路有限責任公司)	Lipan Express	11	13	19	508	530	576
26	Sichuan Renmu Expressway Co., Ltd.(四川仁沐高速公路有限責任公司)	New Renmu Express Renjing Pilot Section	–	0	0	–	174	278
27	Sichuan Chengyu Expressway Co., Ltd.(四川成渝高速公路股份有限公司)	Chengyu Express	793	830	944	818	913	854
		Chengya Express	849	917	966	1,482	1,471	1,518
		Chengle Express	480	564	499	1,263	1,288	1,056
		Chengren Express	766	868	1024	1,281	1,456	1,474
		Chengbei Express	110	117	108	1,935	2,143	1,904
		Suiguang Suixi Express	228	286	372	274	318	350
28	Sichuan Yakang Expressway Co., Ltd.(四川雅康高速公路有限責任公司)	Yakang Express	–	–	18	–	–	1,105.7
	Total	–	**14,070**	**14,941**	**17,091**	**39,306**	**41,498**	**43,457.7**

Sichuan Railway

Sichuan Railway engages in the business of toll road construction and operation in the province as the controlling shareholder of project companies. Sichuan Railway also jointly invests in railway project companies with China State Railway Group Co.,Ltd. on behalf of the Sichuan Government. In particular, Sichuan Railway focuses on expressway BOT (build-operate-transfer) projects. As at 30 June 2020, Sichuan Railway had nine expressway BOT projects under construction, with a total length of approximately 800.91 km and a total investment of approximately RMB110,407 million. As at 30 June 2020, Sichuan Railway had invested an aggregate amount of RMB14,255.7 million in these projects.

The table below sets forth certain information relating to Sichuan Railway's expressways under construction as at 30 June 2020:

Project name	Length under construction	Total investment[1]	Investment as at 30 June 2020
	(km)	*(RMB in millions)*	*(RMB in millions)*
Zigong to Longchang Express Connection	112.73	13.85	3.287
Panzhihua to Dali Express in Sichuan	40.92	66.86	21.08
Passway Express in Guang'an, East Ring and sub-express of YuGuang Express	81.38	65.97	12.00
Xuyong to Weixin Express, Luzhou section	37.00	51.21	15.36
Chengdu to Yibin Express	157.20	244.36	33.47
Emei to Hanyuan Express	122.8	205.21	32.06
Ningnan to Panzhihua Express of G4216	168.20	297.62	18.32
Luzhou to Yongchuan Express in Suchuan and Chongqing	41.64	50.99	2.47
Luzhou to Jinsha through Gulin Express, Gulin to the boarder of Sichuan and Guizhou section	39.04	108.00	4.50
Total	**800.91**	**1,104.07**	**142.50**

(1) This is an estimated total investment amount.

Under a BOT business model, the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project, which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor. When Sichuan Railway completes an expressway BOT project, it operates the expressway in a way as prescribed in the relevant concession agreement. These BOT projects are all key provincial infrastructure projects. All projects operate under project companies to maximise the synergies with the Group's construction business.

As at 30 June 2020, Sichuan Railway engaged in the construction and operation of nine expressway BOT projects, with a total length of 800.91 km. The following table sets out the information of such projects during the years and periods indicated:

Operating entity	Construction period	Mileage	Total Investment	Investment as at 30 June 2020
		(km)	*(RMB in millions)*	*(RMB in millions)*
Panda Expressss	2015-2019	40.92	66.86	21.08
Xuwei Express	2017-2019	37.00	51.21	15.36
Ehan Express	2017-2022	122.80	205.21	32.06
Chengyi Road	2017-2020	157.20	244.36	33.47
Yanjiang Express	2019-2024	168.2	297.62	18.32
Luyong Express	2020-2022	41.64	50.99	2.47
Gujin Express	2020-2023	39.04	108.00	4.5
Zikong Express Connection	2020-2023	112.73	13.85	3.287
Guangan Belt Express	2017-2020	81.38	65.97	12
Total:	**–**	**800.91**	**1,104.07**	**142.55**

The Group also engages in the road construction business, mainly for municipal road construction projects under the BT business model. Under a BT business model, the Group subsidiaries are the investment party and the construction party at the same time. The Group funds the projects with advance payments and transfers the project back to the government after passing the acceptance inspection. The Group can recover its construction costs plus a reasonable return from the government according to the contracts.

As at 30 June 2020, the Group had 25 expressway projects under construction, with a total length of 3,121 km and an estimated total investment of RMB520 billion which will facilitate the aggregate length of expressways in Sichuan Province to exceed 10,000 kilometres. As at 30 June 2020, the Group had invested an aggregate amount of RMB115 billion in these projects.

Concession Period, Toll Rates and Collection in the PRC

Pursuant to the Regulation on the Administration of Toll Roads（收費公路管理條例）promulgated by the State Council of the PRC, toll road operators may levy tolls on vehicles passing through the toll roads operated by them within specific concession periods. The maximum concession period for operational expressways in designated provinces, autonomous regions and municipalities in Western China, including Sichuan Province, is 30 years. The concession period applicable to the majority of the Group's toll roads is 30 years.

Toll rates for toll roads in the PRC are set by various local government authorities. The Group, in conjunction with its joint venture partners, may propose toll rate changes to the relevant authorities, taking into account existing market conditions. Such toll rate increases will be determined by the local authorities on a case-by-case basis, taking into consideration factors such as the technical standard of the toll road, total investment loan repayment terms, the inflation rate, affordability, and traffic volume. The government authorities may also consider the shareholders' rate of return on the investment when evaluating whether to allow a higher toll rate.

Generally, toll fees can be charged either through open systems (in which tolls are paid, based typically on vehicle size, at a number of toll collection points along the roadway, but not generally upon either entering or exiting the roadway) or through closed systems (in which a ticket is obtained upon entering, and a single amount, usually based on both vehicle size and distance travelled, is paid at the point of exit).

Police vehicles that are used for handling traffic accidents and emergencies, highway patrol vehicles, military vehicles, vehicles of armed forces, vehicles on rescue missions upon approval of the competent transportation department of the State Council or the provincial-level governments are generally exempt from paying tolls in the PRC.

Railway and Bridge Construction and Operation

The Group conducts its railway and bridge construction and operation business principally through Sichuan Railway and its indirect affiliate company, Sichuan Road & Bridge.

Railway Construction and Operation

Sichuan Railway, established in 2009, primarily (i) represents Sichuan Province in engaging in the financing, construction and operation of joint railway projects between the PRC central government and Sichuan Province; (ii) coordinates railway construction related matters; and (iii) carries out the construction, operation and management of the transportation infrastructure in Sichuan Province. Sichuan Railway holds First-Grade Qualification of Railway Construction Contracting.

The following table sets forth certain information on the key railways operated by Sichuan Railway or in which it has an investment interest as at 30 June 2020:

Operating entity	Railway name	Operating sections	Operating mileage	Total Capital	Interest held by Sichuan Railway	For the six months ended 30 June 2020	As at 30 June 2020	
						Freight income	Freight turnover	Freight amount
			(km)	*(RMB in millions)*	*(%)*	*(RMB in millions)*	*(ten thousand tons km)*	*(tons in ten thousand)*
Chuantie (Luzhou) Railway Co. Ltd.	Longxu Railway	Longchang-Xuyong	161.4	1,382.1	50.80	63.5	16,005.0	202.0
Chuantie (Yibin) Railway Co. Ltd.	Jinjun Railway	Jinshawan-Junlian	70.0	850.0	62.94	23.9	5,241.5	115.7
Sichuan Guilian Railway Co. Ltd.	Guilian Railway	Guide-Lianjie	30.4	30.0	51.00	149.9	13,315.3	443.8
Dacheng Railway Co., Ltd.	Dachengwan Railway	Chengdu Wanzhou	504.0	6,269.3	26.60	43.0	438,088.0	2,032.0
Bada Railway Co., Ltd	Bada Railway	Bazhong-Dazhou	131.0	3,668.0	39.54	1.7	67.3	6.1
Leba Railway Co., Ltd.	Leba Railway	Leba-Bazhong	158.0	197.2	28.63	0.1	12,198.0	171.0
Total			**1,054.9**	**12,396.6**		**282.1**	**484,915.0**	**2,970.7**

The following table sets forth certain information relating to the railways under construction in which Sichuan Railway has invested as at 30 June 2020:

Project name	Construction period	Interest held by Sichuan Railway	Mileage within Sichuan Province	Total investment	Investment as at 30 June 2020
		(%)	*(km)*	*(RMB in millions)*	*(RMB in millions)*
Lianjie to Leshan Railway	2016-2019	51.00	122.85	7,038	1,436
Chenglan Railway	2011-2020	3.55	377.7	49,347	1,258
Xuyong to Dacun Railway	2011-2018	80.00	85.54	3,886	1,278
Chengkun Expansion Emi section	2015-2022	16.49	386.19	44,281	2,360
Longhuang Railway Xubi Section	2016-2022	52.00	51.7	10,622	2,047
Chuannan City Railway Zilu Section	2016-2020	33.00	130.96	19,926	3,290
Chengdu to Zigong Railway Tianfu Airport section	2017-2020	100.00	7.84	3,588	2,213
Chuannan City Railway Ziyi Section	2019-2023	33.00	82.4	18,525	1,018
Chengdu to Zigong Railway	2019-2023	53.20	176.9	35,970	1,220
Hanbanan Railway Nanba Section	2019-2022	85.00	151.9	21,620	1,152
Total			**1,574.0**	**214,803**	**17,272**

Sichuan Railway mainly invests in projects by way of a controlling share model or joint venture model. As at 30 June 2020, the Group had 25 key national and regional railway lines in operation or under construction with an aggregate mileage of 3,911 km. Among the 25 railway lines, 15 are in operation with a total mileage of 2,337 km and 10 are under construction with a total mileage of 1,574 km. In addition, three of the passenger dedicated lines the Group invests in, Xi'an-Chengdu and Chengdu-Chongqing Intercity Railway and Chengdu-Mianyang-Leshan Passenger Line are also in operation with a total mileage of 665.8 km.

Railway Operation Fee Rates

Sichuan Railway charges fees on rail freight transport taking into consideration freight weight, distance of carriage and the applicable fee rates. The fee rates are set by reference to the fee rate guidance issued by the NDRC. Different fee rates apply to different types of cargoes. Where refrigeration is required, special fee rates would apply. The NDRC revises the fee rate guidance from time to time.

Bridge Construction and Operation

The Group is involved in bridge construction in China principally through Sichuan Road & Bridge. Sichuan Road & Bridge is the only company in Sichuan Province that owns premium-grade qualification of road and bridge construction and it is well known for its world-leading techniques in the industry. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, Sichuan Road & Bridge recorded total revenue of RMB33.0 billion, RMB40.0 billion, RMB52.7

billion, RMB17.6 billion and RMB19.8 billion, respectively. For the six months ended 30 June 2020, the total revenue generated by Sichuan Road & Bridge was contributed by its various businesses, including engineering construction (74.9%), logistics trade (20.5%), PPP and BOT operation (3.3%) and others (1.3%). Sichuan Road & Bridge also recorded a net income of over RMB36.9 billion for the same year. Sichuan Road & Bridge has been involved in projects throughout China, as well as Africa, the Middle East, Southeast Asia, and Europe. Representative projects include Wanxian Yangtze River Bridge（萬縣長江大橋), which has the longest single-arch span in the world, Zhejiang Zhoushan Xihoumen Cross-sea Bridge（浙江舟山西堠門跨海大橋), which has a span that is the longest in China and second longest in the world, and Norway Harlow Grand Bridge. Among the 154 bridges along Yangtze River that are under construction or have been constructed, around 27 of them were built by Sichuan Road & Bridge. Representative bridge construction projects include: grand expressway bridges such as Yibin Yangtze River Bridge（宜賓長江大橋), Jiang'an Yangtze River Bridge（江安長江大橋), Luzhou Yangtze River Bridge II（瀘州長江二橋), Fuling Yangtze River Bridge（涪陵長江大橋), Wanxian Yangtze River Bridge（萬縣長江大橋), Wanzhou Yangtze River Bridge II（萬州長江二橋), Wushan Yangtze River Bridge（巫山長江大橋), Badong Yangtze River Bridge（巴東長江大橋), Yichang Yangtze River Bridge（宜昌長江公路大橋), Jingyue Yangtze River Bridge（荊岳長江公路大橋）and E'huang Yangtze River Bridge（鄂黃長江大橋). In addition, Sichuan Road & Bridge has undertaken construction of a number of bridges along Jialing River, Jinsha River, Minjiang River, Fujiang River and Chongqing Wujiang River in Sichuan Province and reached an engineering excellence rate of 95% and above. In particular, the main span of the Wanxian Yangtze River Bridge（萬縣長江大橋）reaches 420 metres, ranking the first in the world and has won the National Scientific and Technological Progress Award, the National Quality Engineering Silver Award and the Zhan Tianyou Civil Engineering Award. The abundant experiences in the construction of the bridges have brought Sichuan Road & Bridge's bridge building technical expertise to a new level. Upon completion of construction, Sichuan Road & Bridge shall deliver the bridge project to the proprietor in return for a construction fee.

Sichuan Road & Bridge also engages in the bridge construction and operation business in Sichuan Province under the BOT business model. Representative BOT bridge projects include Yibin Minjiang Bridge I（宜賓岷江一橋), Yibin Jinshajiang Zhongba Bridge（宜賓中壩金沙江大橋), Yibin Rongzhou Bridge（宜賓戎州大橋), Yibin Yangtze River Bridge（宜賓長江大橋）and Yibin Jiang'an Yangtze River Bridge（宜賓江安長江大橋). All five BOT bridge projects have been completed and are in full operation. Similar to a BOT expressway project, the proprietor of a BOT bridge project grants the rights to Sichuan Road & Bridge by concession agreement to undertake the financing, design, construction, operation and maintenance of the bridge project. Sichuan Road & Bridge can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns. Upon expiration of the concession period, the bridge project will be transferred back to the proprietor.

Pursuant to the respective concession agreements with the Yibin City Government, Sichuan Road & Bridge is permitted to charge an annual toll fee together with a variable toll fee based on usage on vehicles crossing Yibin Minjiang Bridge I（宜賓岷江一橋), Yibin Jinshajiang Zhongba Bridge（宜賓中壩金沙江大橋), Yibin Rongzhou Bridge（宜賓戎州大橋）and Yibin Yangtze River Bridge（宜賓長江大橋). The toll fee is payable to Sichuan Road & Bridge by the Yibin City Government for a concession period of ten years for each of the four bridges, with the concession period for Yibin Yangtze River Bridge（宜賓長江大橋）starting from 2008 and the remaining three starting from 2005. The total annual toll fee for the concession period for each of the four bridges mentioned above amounted to approximately RMB384 million. By 30 June 2020, the Yibin City Government paid an aggregate amount of RMB130 million; the remaining balance being approximately RMB254 million. According to the relevant concession agreement, Yibin Minjiang Bridge I（宜賓岷江一橋), Yibin Jinshajiang Zhongba Bridge（宜賓中壩金沙江大橋）and Yibin Rongzhou Bridge（宜賓戎州大橋）have reached the end of their respective contractual periods. Sichuan Road & Bridge reached a concession agreement with

the local government in Yibin City regarding the Yibin Jiang'an Yangtze River Bridge（宜賓江安長江大橋), pursuant to which Sichuan Road & Bridge receives an agreed amount of toll fee each year based on the payment schedule for a term of 10 years since 2016.

The Group has a strong competitive advantage in constructing large bridges, highway pavements, and tunnels. Its construction technologies are at the world's advanced level, and it is a leader in the industry. The Group has created many world-class landmark projects. For example, at the time of its construction, the Xihoumen Cross-sea Bridge（西堠門跨海大橋）had the world's longest span of its kind and the highest wind-resistance requirements in the world. It was also the first bridge that applies separate steel girders in China and was ranked first in China in terms of main cable length and material strength. It successfully solved the safety issues associated with the wind resistance performance of the long-span cable-bearing bridge through groundbreaking researches on the connecting structure of the super-large suspension cable main girder, the new autonomous cable crane, and the catwalk wind resistance. This bridge also won many national and international awards such as FIDIC (Fidick) Outstanding Project Award, Gustav Lindenthal Medal (Gustav Lindenthal Award), China Civil Engineering Zhan Tianyou Award and China Construction Engineering Luban Award. The Yakang Express Xingkang Bridge（雅康高速興康特大橋）constructed by the Group also recorded two breakthroughs in the world. At the time it was constructed, it was the first long-span steel truss suspension bridge in Sichuan and Tibet, and the longest tunnel anchor in the world. Drones were used for the traction of the cables crossing the river under the construction for the first time in Sichuan Province. It also set multiple records across the country for the first time, including the application of a cable hoist system used for erecting a thousand-meter steel truss under a complex and strong wind field at a high-altitude canyon, an anti-buckling steel support used as the central buckle of a suspension bridge, a combined structure of corrugated steel webs and concrete plates used as a bridge tower beam and the excavation of large-scale deep foundation on the moraine layer. As of October 2018, it recorded eight national utility model patents and two special inventions. It also won the Gustav Lindenthal Award. The Jinjiazhuang Spiral Tunnel（金家莊螺旋隧道）was the world's longest highway spiral tunnel under construction, certified by the world record, the "No. 1 Project" of the National Winter Olympics Organizing Committee and the Ministry of Transport. Its affiliated YanChong Expressway was included in the "First Batch of Typical Demonstration Projects for Green Highway Construction in China". The tunnel spiraled 360 degrees amidst mountains with low visibility, and the radius of the spiral formed is up to 860 meters, which solved the problem of excessive longitudinal slope of the route spanning from only 7 kilometres in length but 250 meters in altitude, reducing the travel time from more than 2 hours to about 10 minutes. It is a major transportation project connecting Yanqing and Zhangjiakou for the 2022 Winter Olympics and the first driverless demonstration road and technology demonstration road. The Micang Mountain Tunnel（米倉山隧道）constructed by the Group also recorded many domestic firsts such as the most difficult construction in China, the third-longest road tunnel in the world, and the longest road tunnel in China. It is ranked first in terms of depth of highway tunnels under construction in China. A permanent derrick and a large hoisting system were set up in a domestic highway tunnel for the first time under its construction. It also pioneered the application of shaft hoisting system for tunnel rescue. It solved geological hazards such as large deformation of soft rocks, rock bursts and mud eruption, eradicated major traffic obstacles and opened up road traffic between Sichuan and Shaanxi, building an important gateway on the north of Sichuan, which provide technical solutions for tunnel design and construction under more complex geological conditions in the future.

Air Transportation

Leveraging on the favourable geographical locations and tourism resources of Sichuan Province, the Group is building the air transportation hub of Southwest China based on Shuangliu International Airport and Jiuzhai Huanglong Airport. The Group is involved in the air transportation business principally through Sichuan Airlines Group. As at 30 June 2020, Sichuan Airlines Group held a 40% equity interest in Sichuan Airlines and a 40.97% equity interest in Chengdu Airlines. According to the CAAC, the Group and Sichuan SASAC collectively own Chengdu Shuangliu International Airport. Chengdu Shuangliu International Airport had a passenger traffic of 55.9 million in the year of 2019 and 16.0 million in the first half of 2020 and had 363 routes (128 international and regional routes, 217

domestic routes and 18 international routes with domestic stopover) as at 31 May 2020. It is the largest aviation hub in central and western China and the fourth largest airport of China. The Group also owns Jiuzhai Huanglong Airport, which sits in the intersection of two popular tourist sites, Jiuzhaigou and Huanglong, and is one of the busiest regional airports in Sichuan and China.

Airline Catering and Ancillary Services

The Group provides an airline catering service and various ancillary services such as airplane maintenance and aviation training. The Group is involved in the airline catering service principally through Sichuan Airlines LSG Catering and Sichuan Airlines CA Catering, two subsidiaries of Sichuan Airlines established in 2000 and 2006, respectively. The Group is the only catering service provider in China that has won the Gold Award (Asia-Pacific) in the International Air Transport Association Catering Quality Assurance Award. For the six months ended 30 June 2020, Sichuan Airlines LSG Catering provided flight catering services to 17 domestic airlines and 10 international airlines, producing approximately 2.0 million meals and handled 24,903 flights (representing a daily average of 11,182 meals and 137 flights). For the six months ended 30 June 2020, Sichuan Airlines CA Catering provided flight catering services to 19 domestic airlines and five international airlines, producing approximately 1.5 million meals and handled 28,359 flights (representing a daily average of 8.2 million meals and 156 flights). The Group's primary customers in the business of the provision of airline catering are the flights departing from Chengdu Shuangliu International Airport and Chongqing Jiangbei International Airport.

The Group also provided various ancillary services to the airlines based in and flights departing from the airports in Sichuan Province. The Group's airline maintenance and training service is operated primarily through Sichuan Airlines and its subsidiaries. The Group has established a stable operation with internationally reputable companies, to further develop its air transportation ancillary services. In addition, the Group is involved in the construction of Tianfu International Airport and the construction and expansion projects of several other regional airports.

Sichuan Airlines

Benefiting from a continuously expanding and optimised fleet, Sichuan Airlines has remained to operate with a high level of efficiency in the industry. As at 30 June 2020, Sichuan Airlines operated a fleet of 161 Airbus aircraft with an average age of 6.25 years. The fleet of aircraft will be expanded to cope with increasing volumes of passenger traffic.

As at 30 June 2020, Sichuan Airlines provided scheduled regional, domestic and international services on 366 routes to 135 cities in 26 countries, four of which were regional routes, 307 of which were domestic routes and 55 of which were international routes. With its headquarters at Shuangliu International Airport in Chengdu, Sichuan Province, and three branch companies in Chongqing and Kunming, Yunnan Province respectively, Sichuan Airlines had established 12 route bases in Beijing, Chongqing, Kunming, Hangzhou, Tianjin, Sanya, Xi'an, Harbin, Urumuqi, Xichang, Shenzhen and Nanning as at 30 June 2020. Sichuan Airlines owned 36 aircrafts suitable for flight over plateau area as at 30 June 2020, which brings regional advantages in high-altitude routes operation. Also, the business in Southwest China is less affected by market volatility and expansion of the high speed rail and therefore witnesses relatively stable revenue and profit.

The following table sets forth certain operational and financial information relating to Sichuan Airlines for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
Number of aircraft	132	148	161	152	161
Flight mileage (km in millions)	282	313	352	171	101
Average daily utilisation rate (hour)	9.82	9.86	9.79	9.72	5.4
Number of scheduled flights	186,034	203,583	220,731	107,033	65,188
Revenue passenger kilometres (in millions)	42,203	47,761	55,179	26,732	11,629
Passenger traffic (person time in millions)	24.6	27.7	30.6	14.8	7.1
Occupancy rate (%)	83.9	84.2	83.2	83.7	69.7
Revenue passenger per kilometres (in RMB)	0.45	0.45	0.43	0.43	0.44

Chengdu Airlines

Chengdu Airlines was formed after the restructure of United Eagle Airlines Co., Ltd.（鷹聯航空有限公司）in 2010. As at 30 June 2020, Sichuan Airlines Group held a 40.97% equity interest in Chengdu Airlines.

Chengdu Airlines purchased the first domestically-built passenger airplane in China. It is the operation and pilot base for domestically-built passenger airplanes, shouldering significant responsibility in promoting China's large passenger airplanes development.

As at 30 June 2020, Chengdu Airlines operated a fleet of 57 aircraft, all of which were leased under operating leases, and operated 150 domestic routes. Chengdu Airlines plans to lease 50 more passenger aircraft under operating lease to cope with its business development in the near future.

The following table sets forth certain operational and financial information of Chengdu Airlines for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2019	2019	2019	2020
Number of aircraft	34	41	53	43	57
Leasing cost (RMB in millions)	622.0	802.6	923.7	438.6	551.0
Flight mileage (km in millions)	53.7	67.2	80.0	37.9	27.4
Average daily utilisation rate(hour)	8.77	8.57	8.25	8.26	4.63
Number of scheduled flights	29,780	37,832	43,486	20,596	15,161
Revenue passenger kilometres (in millions)	8,053.9	9,753.3	11,364.8	5,428.8	3,138.4
Revenue tonne kilometres (tons kilometres in millions)	735.69	887.66	1041.56	496.32	293.70
Revenue freight tonne kilometres (tons kilometres in millions)	21.5	25.0	37.8	16.0	15.9
Passenger traffic (person in millions)	6.1	7.3	8.3	4.0	2.3
Occupancy rate (%)	86.7	85.3	85.4	85.5	70.7
Revenue passenger per kilometres (in RMB)	0.50	0.48	0.48	0.48	0.43

General Trading

The Group operates its general trading business primarily through Sichuan Railway Investment Oil and Sichuan Railway Investment (both of which are subsidiaries of Sichuan Railway), Sichuan Transportation (which is a subsidiary of Sichuan Communications), Sichuan Nengtou (which is a subsidiary of Sichuan Energy), Sichuan Port & Channel and Sichuan Salt. The Group's general trading business is largely ancillary to the Group's transportation infrastructure construction and operation segment and power generation and supply segment, primarily focusing on trading in salts and materials such as gasoline, diesel, and other civil engineering materials. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's general trading business contributed RMB88,988.4 million, RMB100,705.0 million, RMB117,288.4 million, RMB63,032.2

million and RMB38,402.8 million in total operating income, respectively, accounting for approximately 53.1%, 51.1%, 47.8%, 56.4% and 43.0% respectively, of the Group's total operating income from principal businesses.

Gasoline and Diesel Trading

The Group's gasoline and diesel trading has been primarily conducted by the Group since 2012, through Sichuan Railway Investment Oil. The Group purchases refined oil in wholesale from several state-owned oil suppliers in charge of sales, logistics and distribution of refined oil in the PRC. The price for refined oil is regularly adjusted by the NDRC. The Group then sells refined oil-related products in three distribution channels: (i) wholesale to downstream enterprises; (ii) distribution to its subsidiaries which are engaged in construction business; and (iii) retail sale to customers through the gas stations the Group operates. All of the Group's sale of gasoline and diesel is within Sichuan Province.

In terms of its wholesale of refined oil products, the Group mainly chooses large, state-owned enterprises or listed companies with a good reputation, long-term commodities trading experience and a strong resources background as upstream and downstream commodities trading clients. The Group intends to secure new key customers in the future to further diversify its customer base.

The Group's profits come from the difference between the prices at which the Group purchases and the prices at which the Group sells the oil-related products. Since this is a new business segment that the Group has developed for only a few years, the Group intends to secure new key customers in the future and further diversify its customer base by way of adopting a competitive pricing strategy, and thus the profit margin is relatively lower than the other businesses of the Group.

The Group employs three settlement methods: (1) payment-before-delivery; (2) payment-after-delivery; and (3) cash-on-delivery.

Concrete Trading

The Group's concrete trading is primarily conducted by the Group through Luqiao Shengtong within Sichuan Province. As at 30 June 2020, the Group had a variety of more than seven sets of concrete production equipment, with an annual production capacity of more than 1.75 million cubic metres. The raw materials for concrete production are mainly gravel, cement, and additive mixtures. The Group selects suppliers by evaluating the quality of goods and the stability of the supplier. The Group believes Luqiao Shengtong has established a reputable brand and secured a significant market position within Sichuan Province. The Group's concrete products are mainly sold to projects involving road and bridge construction, housing construction and others.

Trading in Other Civil Engineering Materials

The Group is the only professional buyer in the energy sector in Sichuan. The Group's trading in other civil engineering materials is primarily conducted by the Group through Sichuan Nengtou, which is the only professional procurement platform in Sichuan Energy. As at 30 June 2020, the Group has formed strategic business relationships with large, state-owned enterprises in more than 20 provinces in the PRC.

Salt Trading

The Group's salt trading is primarily conducted by the Group through Sichuan Salt. The Group's core business includes salt production for food processing, as well as for industrial usage, and the distribution of salt products, both wholesale and retail. The salt industry is highly regulated in China and the Group is the primary enterprise that produces and sells edible salt in Sichuan Province with sales network covering the entire Sichuan Province. In the first half of 2020, the total sales volume sold by the Group was approximately 48.7 million tons, among which approximately 19.9 million tons were salt for food processing and approximately 28.8 million tons were salt products for industrial usage. As at 30 June 2020, Sichuan Salt had 1 branches and 12 subsidiaries and formed a sales network covering the entire

Sichuan Province. With its modernised distribution system, and by making full use of its advantage of being the sole legitimate wholesale franchisee in Sichuan Province, the Group has maximised the profit out of its salt trading activities.

Power Generation and Supply Business

The Group invests in, develops, owns and operates power plants that generate energy from clean and renewable energy sources in Sichuan Province. The Group also participates in the investments and constructions of national key energy projects on behalf of the Sichuan Government. The Group's power generation and supply business is mainly conducted through its wholly-owned subsidiaries, Sichuan Energy and Sichuan Port & Channel. The Group generates energy from hydropower plants, wind farms and biomass power plants. As at 30 June 2020, the Group recorded a generated energy on grid of 3.0 billion KWh. In addition, the Group also takes part in the construction, upgrading and operation of the power grid in Sichuan Province's rural areas.

The Group is the principal investor and developer in local grid markets across Sichuan Province. The Group is the second largest grid company in Sichuan Province and the second largest shareholder of Sichuan Power Trade Center Co., Ltd.（四川電力交易中心有限公司）. It takes charge of the use of special funds, project implementation and consolidated repayment of special loans. As at 30 June 2020, the Company holds equity interest, being majority or minority, in 31 local electricity companies, and has three local distribution networks in southern Sichuan, northeastern Sichuan and Qingchuan-Pingwu, which in aggregate cover 13.2% of the geographic area of Sichuan Province. The Company has also undertaken the integration of local electricity companies in Sichuan. Upon completion of the integration, the power supply area serviced by the Group will cover more than 75% of Sichuan Province. The Company had supplied electricity to 18 million people in Sichuan Province, representing 22.2% of the total population of Sichuan Province and covering 31 counties and regions, as at 30 June 2020. Households, non-industrial/general industrial sectors and large-scale industries constitute the main electricity consumers in the network. The electricity consumption structure is stable. The annual energy sold by the Group amounted to 20,000 GWh.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's power generation and supply business contributed RMB7,035.1 million, RMB8,337.3 million and RMB14,125.3 million, RMB 6,271.7 million and RMB 7,951.2 million in total operating income, respectively, accounting for approximately 4.2%, 4.2%, 5.8%, 5.6% and 8.9%, respectively, of the Group's total operating income from principal businesses.

Power Generation and Plants

As at 30 June 2020, Sichuan Energy held controlling equity interests in 132 hydropower plants and non-controlling equity interest in several national large-scale hydropower plants such as Xiangjiaba Hydropower Plant（向家壩水電站）, Xiluodu Hydropower Plant（溪洛渡水電站）, Baihetan Hydropower Plant（白鶴灘水電站）and Wudongde Hydropower Plant（烏東德水電站）with an aggregate attributable installed capacity of 5,820 MW and six biomass power plants with an attributable installed capacity of 109.5 MW in commercial operation and had eight wind farms with an attributable installed capacity of 479 MW and 17 photovoltaic power projects with an attributable installed capacity of 418 MW. The average utilization hours of the Group's hydropower generation units exceeds the national average level. Sichuan Energy's power plants are mainly located in Sichuan Province.

The following table sets out certain information relating to the Group's key power plants in operation as at 30 June 2020.

Name of plant	Energy source	Interest held by the Group	Total installed capacity	Attributable installed capacity
			(MW)	*(MW)*
Jiangsheba Power Station（薑射壩電站）	Hydropower	61%	128	78
Sangping Power Station（桑坪電站）	Hydropower	61%	72	44
Kazi Power Station（卡子電站）	Hydropower	51%	14	7
Longmen Power Station（龍門電站）	Hydropower	51%	9	5
Mengtuo Power Station（孟拖電站）	Hydropower	44.56%	19	8
Lama Wind Farm（拉馬風電場）	Wind power	19.62%	50	10
Luxinan Wind Far（魯南風電場）	Wind power	19.62%	50	10
Guang'an Solid Waste Incineration Power Plant（廣安市生活垃圾焚燒發電廠）	Waste incineration power	51%	18	9
Suining Solid Waste Incineration Power Plant（遂寧市生活垃圾焚燒發電廠）	Waste incineration power	51%	15	8
Yanting Power Station（鹽亭電廠）	Biomass	51%	30	15
Hongyuan Huahai Power Station（紅原花海電站）	Photovoltaic power	56%	20	11
Hongyuan Zhuokun Power Station（紅原卓坤電站）	Photovoltaic power	56%	50	28
Yanbian Titanium Materials Park Power Station（鹽邊鈦材園電站）	Photovoltaic power	100%	1	1
Maqu Bai'er Power Station（瑪曲拜爾電站）	Photovoltaic power	100%	40	40
Taoyuan Xiangcheng Power Station（桃源湘成電站）	Photovoltaic power	100%	40	40
Lixian Zede Power Station（澧縣澤德電站）	Photovoltaic power	100%	80	80
Xiangcheng Dingqu Power Station（鄉城定曲電站）	Photovoltaic power	75%	20	15
Zhaojue Buyue Power Station（昭覺補約電站）	Photovoltaic power	75%	30	23
Xiaojin Gongda Power Station（小金公達電站）	Photovoltaic power	75%	20	15
Xiaojin Sanguanqiao Power Station（小金三關橋電站）	Photovoltaic power	75%	20	15
CNNC Aba Lancuoma Power Station（中核阿壩蘭錯瑪電站）	Photovoltaic power	100%	30	30
CNNC Xiaojin Meixing（中核小金美興電站）	Photovoltaic power	100%	50	50
CNNC Xiaojin Xiaonanhai Power Station（中核小金小南海電站）	Photovoltaic power	100%	50	50
Yachayanduo Power Station（察雅烟多電站）	Photovoltaic power	100%	20	20

Hydropower Plants

As at 30 June 2020, Sichuan Energy operated and held controlling equity interests in 132 hydropower plants and held non-controlling equity interest in several national large-scale hydropower plants such as Xiangjiaba Hydropower Plant（向家壩水電站）, Xiluodu Hydropower Plant（溪洛渡水電站）, Baihetan Hydropower Plant（白鶴灘水電站）and Wudongde Hydropower Plant（烏東德水電站）, with an aggregate attributable installed capacity of 5,820 MW. Electricity generated by these hydropower plants is sold to the Sichuan provincial power grid.

Biomass Power Plants and Waste Incineration Power Plants

As at 30 June 2020, the Group, through Sichuan Energy, operated five waste incineration power projects in Zigong, Guang'an and Suining of Sichuan and had six waste incineration power projects under construction. In addition, as at 30 June 2020, the Group has six biomass power plant with an attributable installed capacity of 109.5 MW.

Wind Farms and Photovoltaic Power Projects

As at 30 June 2020, the Group had eight wind farms and 17 photovoltaic projects with an aggregate attributable capacity of 897 MW.

Power Sale and Pricing

Revenue from the Group's power generation and supply segment is primarily derived from the sale of power generated by its power plants.

According to the Electric Power Law of the PRC（中華人民共和國電力法）as amended on 29 December 2018, each of the power plants owned or controlled by the Group is required to sell its power to the local and/or provincial power grid company to which it is connected pursuant to the relevant power sale

agreement. Accordingly, substantially all of the Group's power plants have the Sichuan provincial power grids as their sole customers. Power sales to the power grid companies are calculated on a monthly basis according to each plant's total net generation volume sold to the grid companies and settled typically within 30 to 60 days. The power sales of each power plant are primarily determined by two factors: the net generation volume sold to the grid company by the plant, and the applicable on-grid tariff. The net generation volume of a power plant comprises planned generation volume and any excess generation volume. The planned generation volume is usually determined by the grid company or the Sichuan Government based on a forecast of the likely demand for power in Sichuan Province and the total generation capacity available in the province, including capacity to be commissioned within the year. In addition, power plants may choose to participate in the bidding for any excess generation volume. The on-grid tariffs the Group receives for the electricity it sells under the planned generation volume are reviewed and determined by the central government and the tariffs for the excess generation volume are typically determined through a bidding process.

Pricing in the PRC power generation industry is regulated by the NDRC through the institution of on-grid tariffs and retail tariffs. Of particular relevance to the Group is the on-grid tariff, which is the tariff that grid companies pay to generation companies. Different on-grid tariffs are applicable to planned output, excess output and output, subject to competitive bidding.

In general, the on-grid tariffs for planned output are subject to a review and approval process involving the relevant provincial price bureaus and the NDRC. Each year, the relevant provincial government agency forecasts the electricity demand in the region based on the projected economic growth to determine total electricity output. Pursuant to such estimates, each power plant and the power purchaser reach an agreement on the amount of planned output. Additional output is subject to the price agreement between the power plant and the grids or through a bidding process of on-grid tariffs.

Under the Electric Power Law, the on-grid tariffs granted to a power producer are formulated to provide reasonable compensation for costs as well as a reasonable return on investment assumed by the various regulatory bodies.

Rural Power Grid Improvement Project

The Company has undertaken rural power grid improvement works and electricity development projects for villages without electricity supply. As at 30 June 2020, the Group had invested a cumulative investment of RMB28.0 billion in these rural electricity projects and provided electricity to approximately 3.2 million households and approximately 11.6 million people in the off-grid areas. In 2016, the Group's rural grid power supply reliability was more than 97%. The rural grid upgrading projects are directly funded by the rural power grid development fund. As at 30 June 2020, the Group had received RMB15.7 billion rural power grid development fund from Sichuan Government. The Company expects to with unceasing efforts, continue to improve and upgrade the rural power grids and to develop electricity facilities in areas without electricity supply, in pursuance of China's strategic planning in respect of the 13th Five-Year Plan, as well as the Opinion on the Implementation of a New Round of Improvement and Upgrading Projects for Rural Power Grids during the 13th Five-Year Plan (Guo Ban Fa [2016] No. 9)(國辦發[2016]09號關於「十三五」期間實施新一輪農村電網改造升級工程意見的通知), which was issued by the NDRC as agreed by the State Council. During the "13th Five-year" period, the Group is planning to invest RMB15 billion in power grid construction projects. The Group will strive to satisfy all electricity demands within its supply network by 2020, completing a "reliable, safe and convenient" rural power network to serve the rural areas of Sichuan Province. In addition, the Group will continuously improve the layout of the power network, strengthen the network's reliability and resilience against natural disasters and elevate the rural network's power supply quality.

Media and Culture Business

The Group publishes and distributes books, textbooks, newspapers, magazines and audio-visual products in Sichuan Province. The Group's media and culture business is mainly conducted through its wholly-owned subsidiaries, such as Sichuan Xinhua and Sichuan Publishing and their respective subsidiaries.

Sichuan Xinhua was one of the founders and holds a 50.25% equity interest as at 30 June 2020 in Xinhua Winshare, the first PRC-based publishing company listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Sichuan Publishing also holds a 2.99% equity interest in Xinhua Winshare. Xinhua Winshare has been recognised as one of the "Top 30 Culture Enterprises in China" by Guangming Daily (光明日報) and Economic Daily (經濟日報) in 2016 and 2017.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Group's media and culture business contributed RMB8,790.3 million, RMB8,640.6 million, RMB8,835.7 million, RMB 4,016.0 million and RMB 3,617.8 million in total operating income, respectively, accounting for approximately 5.3%, 4.4%, 3.6%, 3.6% and 4.0%, respectively, of the Group's total operating income from principal businesses.

Publication

The Group's publication business includes publishing books, periodicals, audio-visual products and digital products, provision of printing services, and supply of materials.

Publication of Textbooks and Supplementary Materials

The Group has taken active efforts in publishing primary school science books and pushed ahead the development of regional curriculum textbooks and school-based curriculum textbooks to develop the regional and school-based textbooks into a business segment with breadth and depth. In the first half of 2020, the Group's text books and supplementary materials publication volume was approximately 47.9 million, including 42 types of supplementary materials for spring and autumn semesters.

For the six months ended 30 June 2020, revenue from the sale of textbooks and supplementary materials amounted to RMB2,187 million (including domestic sales), representing an increase of 8.40% as compared with the same period in 2019; costs amounted to RMB1,241 million, representing an increase of 5.56% as compared with the same period in 2019. The majority of the sale of textbooks and supplementary materials under the publication segment refers to domestic sales. The sale from publication segment to distribution segment is recognised upon completion of printing and stock-in of products by the distribution segment. As a result of advanced stock-up needs, the time of stock-in for spring products is divided into two natural years.

Publication of General Books

In 2017, the Group further confirmed the strategic principle of "enhancing its own capabilities, integrating with external resources and expanding market channels", to vertically push ahead the reintroduction of classic publications to the public and publish a batch of best sellers with positive social influence, thus steadily enhancing its business performance. For the six months ended 30 June 2020, revenue from the sale of general books under the publication segment amounted to RMB235 million (including domestic sales), representing a decrease of 47.43% as compared with the same period in 2019; and its costs amounted to RMB170 million, representing a decrease of 40.17% as compared with the same period in 2019, mainly due to the impact of the COVID-19 outbreak, which resulted in no timely production of printing factories, nor normal operation of physical bookstores or normal logistics and distribution.

As at 30 June 2020, the Group owned and operated nine publishing houses, two brands of newspaper, 11 brands of magazines and one publishing house of audio-visual products and digital products. In the first half of 2020, the Group published more than 70 categories of books that were selected into national and provincial programmes, among which five categories were selected into national programmes. In addition, Xinhua Winshare was awarded as the "Advanced Publisher" in the 2010 China Government Publishing Awards and the "Advanced Unit in National News and Publishing System" in 2012. It also won the first place in the 35th National Primary and Secondary School Textbook Printing and Binding Quality Awards in 2015.

Distribution

The Group's distribution segment operates primarily four lines of business, namely: (i) operation of retail outlets for books and audio-visual products; (ii) distribution of textbooks and supplementary materials; (iii) sale through grocery stores and supermarkets; and (iv) sale through online platforms.

The following table sets out the revenue breakdown of the distribution segment by lines of business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
Distribution Channel	**2017**	**2018**	**2019**	**2019**	**2020**
			(RMB in millions)		
Textbook distribution	4,302	4,772	4,999	2,189	2,229
Retail outlets	664	713	740	315	170
Sale through supermarkets	133	130	131	60	32
Sale through online platforms	1,234	1,267	1,468	695	710
Others	234	264	297	137	67
Total	**6,567**	**7,145**	**7,635**	**3,395**	**3,208**

Textbook Distribution

Pursuant to the State Council's Directives on Certain Matters Regarding the Expansion of Pilot Areas for the Bidding of Publishing and Distribution Rights of Primary and Secondary School Textbooks (國務院關於擴大中小學教材出版發行招標投標試點有關問題的批覆), Sichuan Province has been designated as a pilot area to implement public tenders for the grant of publishing and distribution rights of primary and lower secondary school textbooks. Since the 2005 autumn semester, the publishing and distribution rights of primary and lower secondary school textbooks have been granted through an open bidding process organised by the Sichuan Education Department. Xinhua Winshare won the bid for the exclusive distribution rights of primary and lower secondary school textbooks capitalising on its strong logistical capabilities, wide retail network and rich experience in the distribution of primary and lower secondary school textbooks. At present, Xinhua Winshare is the exclusive distributor and sole publisher of all sponsored primary and secondary school textbooks in Sichuan authorised by the National Press and Publication Administration. It is also the chief supplier of all non- sponsored textbooks. It was awarded as "The Most Influential Company in Copyrights" in 2013 and "Excellent National Textbook Distributor" in 2015.

In addition to textbooks, the Group supplies a comprehensive series of supplementary materials, including teaching guidebooks, homework and assignment books, examination preparation books, digital teaching materials, and teaching equipment, to teachers and students. Supplementary materials are sold through two major channels, namely, by way of subscriptions through the Group's distribution network and through the Group's retail outlets. Supplementary materials have had a higher profit margin than textbooks and the Group endeavours to maintain the higher margin while increasing the sales of supplementary materials in Sichuan Province and elsewhere.

Retail Outlets

The Group distributes its own publications and publications of other publishing houses through a comprehensive retail network across various cities and counties in Sichuan Province. As at 30 June 2020, the Group operated 170 retail outlets which occupied an aggregate operational floor area of approximately 150,000 sq. metres. The Group's retail chains carry the brand names of Xinhua Winshare Bookstore (新華文軒) and Xuan Ke Hui-Style Bookstore (軒客會•格調店). While Xinhua Winshare Bookstore offers a wide variety of publications to the general public, Xuan Ke Hui-Style Bookstore mainly offers featured and creative books and provides leisure culture and value-added services to customers. In addition, the Group is entitled to use the famous Xinhua Bookstore (新華書店) brand name within Sichuan Province by virtue of the Group's membership of the China Xinhua Bookstore Association.

As at 30 June 2020, the Group had set up 170 direct outlets and 28 medium-to-large book stores with a sale network covering 18 regions and 134 counties. The Group owns and operates a flagship cultural mall, Chengdu Book Purchasing Centre（成都購書中心）. The mall provides customers with a one-stop culture consumption experience by integrating bookstores, audio-visual product stores, cultural and ancillary product stores, a cinema, coffee shops, and value-added service outlets into the same premises. As at 30 June 2020, at the central districts of other major urban areas within Sichuan Province, the Group operated 22 regional cultural centres to service local customers and offer different ranges of publications and services according to consumer preferences. As at 30 June 2020, the Group provided differentiated services to various types of customers through its network of 170 retail outlets, including the cultural mall, Winshare Books and Kide Winshare.

Sale through grocery stores and supermarkets

The Group gradually develops business in sales through grocery stores and supermarkets by expanding the number of the supermarket outlets for distribution and optimising the regional network.

Sale through online platforms

The Group has continued growth resulting from the rapid growth of domestic consumption on the e-commerce market and the Group's focus on its Internet infrastructure construction, marketing and sales innovation.

Wholesale distribution

In addition to retail operations and the distribution of textbooks, the Group is also engaged in the wholesale distribution of published materials across the PRC through its three distribution centres in Chengdu, Tianjin and Wuxi. The Group has an extensive wholesale distribution network that covers approximately 815 supermarkets in over 25 provinces in the PRC as at 30 June 2020.

Preferential Tax Treatment

The Group's media and culture segment has benefited from a number of preferential tax treatments, including the following:

The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform (Cai Shui [2019] No. 16)（關於繼續實施文化體制改革中經營性文化事業單位轉制為企業若干稅收政策的通知）（財稅[2019]16號）issued by the MOF and the SAT on 16 February 2019.The "for- profit" cultural enterprises that have been completed the restructuring before 31 December 2018, can continue to be exempted from corporate income tax for five years from January 1, 2019. In addition, the Notice on the Publication of the Two Regulations Regarding Transforming For-Profit Cultural Public Institutions into Enterprises During Cultural System Reform and Further Supporting Development of Cultural Enterprises (Guo Fa Ban [2018] No. 124)（關於印發文化體制改革中經營性文化事業單位轉制為企業和進一步支持文化企業發展兩個規定的通知）（國發辦[2018]124號）issued by the State Council on 18 December 2018 extends the block exemption to 31 December 2023. Sichuan Publishing, Sichuan Xinhua and the Group's publishing subsidiaries were among the companies that were eligible for the block exemption.

The Circular on Continuing Preferential Policies for Value-added Tax on Publicity and Cultural Undertakings (Cai Shui [2018] No. 53)（關於延續宣傳文化增值稅優惠政策的通知）（財稅[2018]53號）issued by the MOF and the SAT at the middle of 2018 provides for "a VAT wavier on book wholesale and retailing sectors from 1 January 2018 to 31 December 2020". Pursuant to the VAT waiver, the scope of the preferential concession in favour of Sichuan Xinhua is expanded to cover its entire book wholesale and retailing operations as compared with the "VAT wavier on local sale of publications through the sales network at provincial level or below".

Others

In addition to its major investment aims, the Group also invests in various other businesses, such as water, metals and timber business, financial and quasi-financial services, and international business, which combined together contributed less than 5% of the Group's total operating income. The Group also undertakes fiscal funding and is mandated to manage industry development funds. The Group receives numerous funds from both central and local government, including vehicle purchase tax revenue, railway construction funds and others. The Group also manages funds for the Sichuan Department of Finance and invests and manages ten provincial-level funds, including PPP funds, emerging industry start-up funds and others, aiming at promoting industry development across the entire Sichuan Province.

The Group engages in the above-mentioned businesses through Sichuan Development Guorun Environment Investment Co., Ltd.（四川發展國潤環境投資有限公司）, Sichuan Development Financing Guarantee Co., Ltd.（四川發展融資擔保有限公司）, Southwest United Equity Exchange Co. Ltd（西南聯合產權交易所）, Sichuan Development Wine Investment Co., Ltd.（四川發展酒業投資有限公司）, Sichuan Chengdu Integrated Timber Plant（四川省成都木材綜合工廠）and other subsidiaries. For the years ended 31 December 2017, 2018 and 2019, the Group's other business contributed RMB2,796.3 million, RMB2,700.4 million, RMB5,931.2 million, RMB1,315.2 million and RMB2,598.3 million in total operating income, respectively, accounting for approximately 1.7%, 1.4%, 2.4%, 1.2% and 2.9%, respectively, of the Group's total operating income from principal businesses for the corresponding years.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdiction in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. As at the date of this Offering Circular, the Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. As at the date of this Offering Circular, the Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

INSURANCE

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

Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of incidents such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations.

EMPLOYEES

As at 30 June 2020, the Group had over 82,180 employees in total.

Staff benefits include salaries, provident fund, insurance and medical cover, housing and share option schemes. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Group has not experienced any strikes or disruptions due to labour disputes. The Group considers its relations with its employees to be good.

ENVIRONMENT MATTERS

The Company's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Company's knowledge, after due and careful enquiry, is not expected to have, a material adverse effect upon the Company's capital expenditures, earnings or competitive position.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, to the best of its knowledge, there are no current litigation or arbitration proceedings against the Group or any of its senior management team members that could have a material adverse effect on its business, financial condition and results of operations.

The members of the Board of Directors senior management of the Company as at the date of this Offering Circular are as follows.

Directors

Name	Age	Position
Directors		
Mr. LI Wenqing（李文清）.....	51	Chairman of the Board of Directors
Mr. ZHANG Yigang（張宜剛）...	57	Vice Chairman of the Board of Directors and General Manager
Ms. LIU Jia（劉嘉）.....	44	Director
Mr. GUO Yong（郭勇）.....	52	Director
Mr. CAO Jianqin（曹建琴）.....	55	Director and Chief Financial Controller
Mr. LU Chibin（盧赤斌）.....	54	Director and Deputy General Manager

Mr. LI Wenqing（李文清）, Secretary of the Party Committee of the CPC (the Communist Party of China), Chairman of the Board of Directors and Legal Representative, aged 51. Mr. Li is a member of the CPC, and has a doctoral degree. He has successively held various positions in Sichuan province, including Deputy Chief Staff of Chengdu Municipal Labour Bureau; Deputy Divisional Head of the Division of Enterprise of Sichuan Provincial Economic and Trade Commission; Divisional Head of the Division of Enterprise Reform of Sichuan SASAC; Director and Deputy General Manager of the Company; Standing Committee Member of Luzhou Municipal Party Committee of the CPC, Secretary of Luzhou Municipal Political and Legal Committee; Deputy Secretary of the Party Committee of the CPC, Vice Chairman and General Manager of the Company. From June 2020 to date, Mr. Li has served as the Secretary of the Party Committee of the CPC, Chairman of the Board of Directors and Legal Representative of the Company.

Mr. ZHANG Yigang（張宜剛）, Deputy Secretary of the Party Committee of the CPC, Vice Chairman and General Manager, aged 57. Mr. Zhang is a member of the CPC and has a master's degree. He has successively held various positions in Sichuan province, including Officer of the Policy Research Office of the Yanting County Party Committee of the CPC; Deputy Director of the Office of the Yanting County Party Committee of the CPC; Deputy Divisional Head and Divisional Head of First Secretariat of the Mianyang Municipality Party Committee of the CPC; Deputy Director of the Office of the Mianyang Municipality Party Committee of the CPC; the Secretary at Director General Level of the Office of Sichuan Provincial Party Committee of the CPC; Researcher at the Office of Sichuan SASAC; Deputy General Manager, Chairman, Secretary of the Party Committee of the CPC, Director and Secretary of the Discipline Inspection Commission of the State-owned Assets Investment Management Corporation of Sichuan Province; Deputy Secretary of the Party Committee of the CPC, Member of the Party Committee of the CPC, Deputy General Manager, Director of the Company and other positions. From June 2020 to date, Mr. Zhang has been the Deputy Secretary of the Party Committee of the CPC, Vice Chairman and General Manager, and the Chairman of the Remuneration Review Committee of the Company.

Ms. LIU Jia（劉嘉）, Deputy Secretary of the Party Committee of the CPC and Director, aged 44. Ms. Liu is a member of the CPC and has a master's degree. Ms. Liu has successively held various positions in Sichuan province, including Secretary of Youth League and Deputy Minister of Student Affairs Department of the Party Committee of the CPC of Chengdu Sport University; Deputy Minister of Propaganda Department of the Communist Youth League of Sichuan Provincial Party Committee of the CPC; Secretary at Deputy Divisional Head level of the General Office of Sichuan Provincial Party Committee of the CPC; Secretary, Member and Standing Committee of the Party Committee of the CPC of Federation of Trade Unions of Sichuan Province; Standing Committee of Bazhong Municipality Party Committee of the CPC; Chairlady of Municipal Trade Union of Bazhong Municipality; Member and Deputy Secretary of the Party Committee of the CPC, Director of Sichuan Industry Revitalization Development Investment Fund Co., Ltd.. From June 2020 to date, Ms. Liu has been the Deputy Secretary of the Party Committee of the CPC and Director of the Company

Mr. GUO Yong（郭勇）, Member of the Party Committee of the CPC and Director, aged 52. Mr. Guo graduated from Party School of the Provincial Party Committee of the CPC and has a master's degree. He has successively held various positions, including Cadre of Zigong Municipal Planning Commission; Deputy Divisional Head of Division of Human Resources and Education of Zigong Municipal Planning Commission; Deputy Divisional Head of Division of Foreign Investment and Foreign Economic Relationship of Zigong Municipal Planning Commission; Deputy Director and Director of Office of Zigong Municipal Planning Commission; Director of Investment Project Approval Centre of Zigong Municipal Planning Commission; Deputy Director and Member of the Party Committee of the CPC of Zigong Municipal Development and Planning Commission; Deputy Director and Member of the Party Committee of the CPC of Zigong Development and Reform Commission; Deputy Secretary-General and Deputy Director of Office of Zigong Municipal People's Government; Director of Research Office of Zigong Municipal People's Government; Divisional Head of the Division of Energy-saving and Environmental Protection (for climate change) of Sichuan Development and Reform Commission and Divisional Head of Division of Fixed Asset Investment of Sichuan Provincial Development and Reform Commission. From March 2017 to date, Mr. Guo has been a Member of the Party Committee and Director of the Company.

Mr. CAO Jianqin（曹建琴）, Director and Chief Financial Controller, aged 55. Mr. Cao is a Member of the CPC and has a bachelor's degree in economics. Mr. Cao has successively held various positions, including Clerk, Staff Member, Deputy Chief Staff of Budget Division of Sichuan Provincial Finance Department; Deputy Chief Staff and Chief Staff of Infrastructure Division of Sichuan Provincial Finance Department; Chief Staff of Investment Management Division of Sichuan Provincial Finance Department; Deputy Divisional Head of Financial and Tax Laws and Regulations Division of Sichuan Provincial Finance Department; Deputy Divisional Head of Treasury Division of Sichuan Provincial Finance Department; Deputy Divisional Head and Divisional Head of Division of Government Procurement Supervision and Administration of Sichuan Provincial Finance Department and Divisional Head of Community-level Public Finance Management of Sichuan Provincial Finance Department. From March 2017 to date, Mr. Cao has been a Director and the Chief Financial Controller of the Company.

Mr. LU Chibin（盧赤斌）, Director and Deputy General Manager, aged 54. Mr. Lu has a master's degree. Mr. Lu has successively held various positions, including a teacher at the People's Public Security University of China; a foreign trade merchandiser of Chengdu Textile Import & Export Corporation; Investment Assistant and Project Leader of the Investment Management System of U.S. Vanguard Fund Management Limited; Leader and Fund Manager of the Passive Investment Department of Hua An Fund Management Co., Ltd.; Executive General Manager of China International Capital Corporation Hong Kong Asset Management Limited. From 2012 to date, Mr. Lu has served as Assistant to the President of the Company, Chairman (concurrently) and General Manager (concurrently) of Sichuan Development International Holding Company Limited, Chairman (concurrently) of Yieldking Investment Limited; Chairman (concurrently) and General Manager (concurrently) of Sichuan Yizhan Enterprise Investment Co., Ltd.. From April 2016 to date, Mr. Lu has served as Deputy General Manager and Director of the Company.

Senior management

Name	Age	Position
Mr. FEI Qi（費麒）	56	Secretary of the Discipline Inspection Commission
Mr. LUO Xiaoyin（羅孝銀）	58	Chairman of the Risk Control Committee and Chief Risks Officer
Mr. LIU Keke（劉柯柯）	46	Chief Economist
Mr. JING Ping（景平）	47	Deputy General Manager
Ms. LI Lingna（李玲娜）	41	Deputy General Manager

Mr. FEI Qi（費麒）, Member of the Party Committee of the CPC and Secretary of the Discipline Inspection Commission, aged 56. Mr. Fei has successively held various positions, including Deputy Secretary of the Youth League of the Extracting Vanadium and Steel Making Plant of Panzhihua Steel Group (presiding work); Officer of Propaganda Department of the Communist Youth League of Panzhihua; Secretary-General of the Panzhihua Youth Federation; Director of the Office of the General Office of the Panzhihua Municipal Committee of the CPC; Secretary of the office of the Municipal Party Committee of CPC and Director of the Panzhihua Tourism Bureau; Secretary of Municipal Committee of CPC and the Taiwan Affairs Office of the Municipal Government; Dean of Sichuan Tourism Planning and Design Institute; Secretary of the Office of Sichuan Investment Promotion Bureau; Head of the Discipline Inspection Committee and Member of the Party Committee of the CPC of Sichuan Investment Promotion Bureau; Head of the Discipline Inspection Committee and Member of the Party Committee of the CPC of Sichuan Investment Promotion Bureau. From March 2017 to date, Mr. Fei has been a Member of the Party Committee of the CPC and Secretary of the Disciplinary Committee of the Company.

Mr. LUO Xiaoyin（羅孝銀）, Member of the Party Committee of the CPC, Chairman of the Risk Control Committee and Chief Risks Officer, aged 58. Mr. Luo is a member of the CPC and has a bachelor's degree. Mr. Lu has successively held various positions, including a Staff Member, Deputy Chief Staff, and Deputy Divisional Head of the Infrastructure Audit Division of the Sichuan Provincial Audit Department; Deputy Divisional Head and Audit Commissioner of the Internal Audit and Social Audit Guidance Division of the Sichuan Provincial Audit Department; Deputy Secretary-General, Deputy Chairman and Secretary-General (concurrently) of the Sichuan Institute of Certified Public Accountants; Deputy Secretary of the Industry Party Committee of the CPC; Director and Deputy Secretary of the Party Branch of Sichuan Water Investment Group Corporation Limited. From December 2014 to date, Mr. Luo has been a Member of the Party Committee of the CPC, Chairman of the Risk Control Committee and Director of Risk Control of the Company.

Mr. LIU Keke（劉柯柯）, Chief Economist, aged 46. Mr. Liu is a member of the CPC and has a doctoral degree. Mr. Lu has successively held various positions, including Industry Analyst and Deputy General Manager of the Research and Development Centre of Huaxi Securities; Chief Staff Member of the Monetary and Credit Division of the People's Bank of China Chengdu Branch; Deputy Minister and Minister of the Financing Management Department, General Manager of the Fund Operation Centre, and General Manager of the Financing Management Department of the Company; Director of Sichuan Development Financing Guarantee Co., Ltd.; Chairman of Sichuan Development Asset Management Co., Ltd.. From March 2016 to May 2020, Mr. Liu served as Assistant to General Manager and General Manager of Financing Management Department of the Company. From May 2020 to date, Mr. Liu has been the Chief Economist of the Company.

Mr. JING Ping（景平），Member of the Party Committee of the CPC and Deputy General Manager, aged 47. Mr. Jing has a part-time master's degree. He has served in Chengdu Municipality Commission of Economy and has successively held various positions, including Staff Member of Officer in the division of enterprise reform under the Sichuan State-owned Assets Supervision and Administration Commission（四川省國資委）, the Director of Office of the Investment Banking Office of the Company;

Deputy General Manager of Sichuan Tourism Development Group Co., Ltd.（四川省旅遊發展集團有限責任公司）; and Secretary of the Party Committee of the CPC of Southwest United Equity Exchange Co. Ltd. From November 2020 to date, Mr. Jing has been a Deputy General Manager of the Company.

Ms. LI Lingna（李玲娜），Member of the Party Committee of the CPC and Deputy General Manager, aged 41. Ms. Li has a master's degree. She has served in Editorial Department of Chengdu "Building Materials Business Daily"（成都《建材商報》）and has successively held various positions, including Assistant to the Director of Office of the General Office of Chengdu Wuhou Industrial Park Administration Committee（成都武侯工業園管委會）; Deputy General Manager of Office of the General Office, Director, Supervisor, Chief Finance Controller, and Director of Office of the Management Office of the Company; Chairman of the Board of Directors of Sichuan Development (Holding) Company Tianfu New District Investment Co., Ltd.（四川發展（控股）公司天府新區投資有限責任公司）; and Chairman of the Board of Directors of Sichuan Development (Holding) Company Emerging Industrial Park Investment and Construction Management Co., Ltd.（四川發展（控股）新興產業園區投資建設管理有限責任公司）. From November 2020 to date, Ms. Li has been a Deputy General Manager of the Company.

FORM OF THE PRICING SUPPLEMENT FOR THE NOTES

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange) (Professional Investors) only.

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the KW Note Issuer, the Guarantor and the Company. The KW Note Issuer, the Guarantor and the Company accept full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][1]

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][2]

1 Include if the Notes are to be listed on the SEHK.

2 Legend for issuances involving one or more MiFID Firm manufacturers.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.][3]

UK MIFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR"**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.][4]

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3 Legend for issuances where there is a sole manager that is a MiFID Firm manufacturer (i.e. no syndicate) (and assuming that none of the KW Note Issuer, the Guarantor or the Company, as the case may be, is a MiFID regulated entity).

4 Include if Item 38 (Prohibition of Sales to EEA Retail Investors) is stated to be applicable.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.[5]

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][6]

5 Include if Item 38A (Prohibition of Sales to UK Retail Investors) is stated to be applicable.

6 Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA. If there is a change as to product classification for the relevant drawdown, from the upfront classification embedded in the programme documentation, then the legend is to be completed and used (if no change as to product classification, then the legend may be deleted in its entirety).

The Pricing Supplement in respect of a Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [•]

[YIELDKING INVESTMENT LIMITED（怡錦投資有限公司）]/[SICHUAN DEVELOPMENT HOLDING CO., LTD（四川發展（控股）有限責任公司）]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$2,000,000,000 Medium Term Note Programme
[unconditionally and irrevocably guaranteed by

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
（四川發展國際控股有限公司）

with the benefit of a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking provided by

SICHUAN DEVELOPMENT HOLDING CO., LTD（四川發展（控股）有限責任公司）]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [•] 2021 [and the Supplemental Offering Circular dated [•]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the [KW Note Issuer, the Guarantor, the Company]/[Company] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement[,/and the Offering Circular [and the Supplemental Offering Circular].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [•]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular dated [•] [and the supplemental Offering Circular dated [date]], save in respect of the Conditions which are extracted from the Offering Circular dated [•] and are attached hereto.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1.	Issuer:	[Yieldking Investment Limited（怡錦投資有限公司）]/[Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）]
2.	[Guarantor:	[Sichuan Development International Holding Company Limited（四川發展國際控股有限公司）]
3.	[Keepwell Deed and Deed of Equity Interest Purchase Undertaking Provider:	Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）]

4.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 28 below [which is expected to occur on or about [insert date]]].]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		
5.	Specified Currency or Currencies:		[•]
6.	Aggregate Nominal Amount:		[•]
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
7.	(i)	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
	(ii)	Gross Proceeds:	[•] (*Required only for listed issues*)]
8.	(i)	Specified Denominations:[7] [8]	[•]
	[*N.B. Consider a minimum denomination of €100,000 (or equivalent)*]		
	(ii)	Calculation Amount (in relation to calculation of interest in global form, see Conditions):	[•] *The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in Footnote 6 below apply, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).*

7 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

8 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000.

9 Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

9.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date:	[*Specify/Issue Date/Not Applicable*]
10.	Maturity Date:	*[(for Fixed Rate Notes) Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[9]
11.	Interest Basis:	[[•] per cent. Fixed Rate] [[Specify reference rate] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index-Linked Interest] [Dual Currency Interest] [Other (Specify)] (further particulars specified below)
12.	Redemption/Payment Basis:	[Redemption at par] [Index-Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [*Other* (Specify)]
13.	Change of Interest or Redemption/ Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
14.	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)]
15.	(i) Status of the Notes:	[Senior]
	(ii) Date of [Board] approval for issuance of Notes obtained:	[•]
	(iii) Date of regulatory approval for issuance of Notes obtained:	[Pre-Issuance NDRC Registration Certificate dated [•]/name and date of the NDRC Quota Letter]
16.	Listing:	[The Stock Exchange of Hong Kong Limited/Other (specify)/None]
17.	Method of distribution:	[*Syndicated/Non-syndicated*]

18.	Private Bank Rebate/Commission:	[*To be included if a PB rebate is paid:* In addition, we have agreed with the Joint Lead Managers that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.]/[Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

19.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate(s) of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "**Business Day**"]/not adjusted]
	(iii) Fixed Coupon Amount(s):	[•] per Calculation Amount[10]
	(iv) Broken Amount(s):	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v) Day Count Fraction:	[30/360/Actual/Actual/Actual/Actual-ICMA or Actual/365 (Fixed) 6/Actual/365 (Sterling)/Actual/360/30E/360/30E/360 (ISDA)/other]
	(vi) [Determination Dates:	[•] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual-ICMA*)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]

10 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 for the case of Renminbi denominated Fixed Rate Notes and HK$0.01 for the case of Hong Kong dollar denominated Fixed Rate Notes, with CNY0.005 and HK$0.005 being rounded upwards.

20.	**Floating Rate Note Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Interest Period(s):	[•][[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii) Specified Interest Payment Dates:	[[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(iii) Interest Period Date:	Each Interest Payment Date/[•] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
	(iv) First Interest Payment Day:	[•]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] [Not Applicable]
	(vi) Business Centre(s):	[•]
	(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
	(ix) Screen Rate Determination:	
	• Reference Rate:	[•]
	• Interest Determination Date (s):	[•]
	• Relevant Screen Page:	[•]
	(x) ISDA Determination:	
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]

	• Reset Date:	[•]
	• ISDA Definitions:	[2000/2006/specify other]
	(xi) Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xii) Margin(s):	[+/-][•] per cent. per annum
	(xiii) Minimum Rate of Interest:	[•] per cent. per annum
	(xiv) Maximum Rate of Interest:	[•] per cent. per annum
	(xv) [Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]]
	(xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
21.	**Zero Coupon Note Provisions**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Amortisation Yield:	[•] per cent. per annum
	(ii) Day Count Fraction:	[•]
	(iii) Any other formula/basis of determining amount payable:	[•]
22.	Index-Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Index/Formula/other variable:	[give or annex details]
	(ii) Calculation Agent:	[•]
	(iii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
	(iv) Determination Date(s):	[•]

(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	[•]
(vi)	Interest Period(s):	[•]
(vii)	Specified Interest Payment Dates:	[•]
(viii)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
(ix)	Business Centre(s):	[•]
(x)	Minimum Rate/Amount of Interest:	[•] per cent. per annum
(xi)	Maximum Rate/Amount of Interest:	[•] per cent. per annum
(xi)	Day Count Fraction:	[•]
23.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Calculation Agent):	[•]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[•]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[•]

PROVISIONS RELATING TO REDEMPTION

24.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount] [*specify other*]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount	[•] per Calculation Amount
	(iv) Notice period:	[•][11]
25.	**Put Option**	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[•] per Calculation Amount
	(iii) Notice period:	[•][12]
26.	Final Redemption Amount of each Note	[•] per Calculation Amount
27.	Early Redemption Amount	[•]/[Not Applicable]

11 If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

12 If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.

	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption (other than on redemption for Change of Control) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28.	Form of Notes	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note][13] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Registered Notes: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
29.	Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 20(vi) and 22(ix) relate*]
30.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
31.	Details relating to Partly Paid Notes:	[Not Applicable/give details]
	(i) Amount of each payment comprising the Issue Price:	[•]
	(ii) Dates on which each payment is to be made:	[•]

13 If the Specified Denominations of the Notes in paragraph 8 includes language substantially to the following effect: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000, the Temporary Global Note shall not be exchangeable on [•] days notice.

	(iii) Consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[•]
	(iv) Other details:	[•]
32.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/give details]
33.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
34.	Consolidation provisions:	The provisions [in Condition 15 (Further Issues)] [annexed to this Pricing Supplement] apply]
35.	Other terms or special conditions:	[Not Applicable/give details]

DISTRIBUTION

36.	(i) If syndicated, names of Managers:	[Not Applicable/give names]
	(ii) If syndicated, date of the Subscription Agreement:	[•]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/give names]
	(iv) If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
37.	U.S. Selling Restrictions:	Reg. S Category [1/2]; (*In the case of Bearer Notes*) - [TEFRA C/TEFRA D/ TEFRA Not Applicable] (*In the case of Registered Notes*) - TEFRA Not Applicable
38.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes may constitute "packaged" products and no key information document (which is required by Regulation (EU) No 1286/2014 for offering or selling the Notes or otherwise making them available to retail investors in the EEA) will be prepared, "Applicable" should be specified.*)
38A.	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]
39.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

40.	ISIN Code:	[•]
41.	Common Code:	[•]
42.	Other relevant codes:	[CMU Instrument Number: [•]/[•]]
43.	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number (s):	[Not Applicable/*give name(s) and number(s)]*
44.	Delivery:	Delivery [against/free of] payment
45.	Additional Paying Agent(s) (if any):	[•]

GENERAL

46.	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[•]]
47.	Use of proceeds (if different from the use of proceeds set out in the Offering Circular)	[•]
48.	Ratings:	[Not Applicable/[•]]

[STABILISATION

In connection with this issue, one or more of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the SEHK of the Notes described herein pursuant to the U.S.$2,000,000,000 Medium Term Note Programme.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Save as disclosed in the Offering Circular in relation to the Group, there has been no material adverse change in the financial or trading position of the [Issuer, the Guarantor, the Company]/[Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）] or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or of the Group since [*insert date of last published annual accounts*].]

RESPONSIBILITY

[The KW Note Issuer and the Guarantor]/[Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）] accept[s] responsibility for the information contained in this Pricing Supplement.

[Signed on behalf of

YIELDKING INVESTMENT LIMITED（怡錦投資有限公司）

By: . . . . . .
Duly authorised

Signed on behalf of

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED（四川發展國際控股有限公司）

By: . . . . . .
Duly authorised]

OR

[Signed on behalf of

SICHUAN DEVELOPMENT HOLDING CO., LTD（四川發展（控股）有限責任公司）

By: . . . . . .
Duly authorised]

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are either issued by Yieldking Investment Limited（怡錦投資有限公司）(the "**KW Note Issuer**") (the "**KW Notes**") or issued by Sichuan Development Holding Co., Ltd（四川發展（控股）有限責任公司）(the "**Company**") (the "**Direct Issuance Notes**", the KW Notes or the Direct Issuance Notes, as the case may be, the "**Notes**"). The KW Notes are guaranteed (the "**Guarantee**") by Sichuan Development International Holding Company Limited（四川發展國際控股有限公司）(previously known as Yieldsun Investment Limited（怡升投資有限公司））(the "**Guarantor**") and with the benefit of (i) a keepwell deed dated on or about 29 January 2018 (as amended, restated or supplemented from time to time, the "**Keepwell Deed**") entered into by the KW Note Issuer, the Guarantor, the Company (in its capacity of assisting each of the KW Note Issuer and the Guarantor in meeting their obligations under the KW Notes, the Coupons in relation to the KW Notes, the Guarantee and the Trust Deed) and the Trustee (as defined below) and (ii) a deed of equity interest purchase undertaking dated on or about 29 January 2018 (as amended, restated or supplemented from time to time, the "**Deed of Equity Interest Purchase Undertaking**") entered into by the KW Note Issuer, the Guarantor, the Company (in its capacity of assisting each of the KW Note Issuer and the Guarantor in meeting their obligations under the KW Notes, the Coupons in relation to the KW Notes, the Guarantee and the Trust Deed) and the Trustee.

The Notes are constituted by a trust deed (as amended, restated or supplemented from time to time, the "**Trust Deed**") dated 29 January 2018 between the KW Note Issuer, the Guarantor, the Company and Bank of Communications Trustee Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An agency agreement (as amended, restated or supplemented from time to time, the "**Agency Agreement**") dated 29 January 2018 has been entered into in relation to the Notes between the KW Note Issuer, the Guarantor, the Company, the Trustee, Bank of Communications Co., Ltd. Hong Kong Branch as principal paying agent and as lodging agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other parties named in it. The principal paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Principal Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Principal Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below.

Copies of the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are available for inspection upon prior written request and satisfactory proof of holding during usual business hours at the principal office of the Principal Paying Agent (presently at 20 Pedder Street, Central, Hong Kong) and at the specified offices of the other Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") (the "**Receiptholders**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and in respect of the KW Notes only, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue, the NDRC Post-Issue Information Report (as defined below) and, in respect of each Tranche of the Direct Issuance Notes, the Foreign Debt Registration (as defined below).

1. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the applicable Pricing Supplement in each case in the Specified Currency and in the Specified Denomination(s) specified in the applicable Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

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

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) 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 Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes)), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed (i) by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), with the prior written approval of the Registrar and the Trustee or (ii) by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of the KW Note Issuer's (in respect of a Tranche of KW Notes), the Company's (in respect of a Tranche of Direct Issuance Notes) or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) or Change of Control Put Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. 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, Exercise Notice or Change of Control Put Exercise Notice or 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, Exercise Notice or Change of Control Put Exercise Notice 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 the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), business day means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes are being called for redemption in part by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption where not all the Notes are being called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. **Status of the Notes and Guarantee (in respect of a Tranche of KW Notes)**

(a) **Status of the Notes**: The Notes, the Receipts and the Coupons relating to them constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligation of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) which shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) under the relevant Notes and the Receipts and the Coupons relating to them 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 KW Note Issuer's (in respect of a Tranche of KW Notes) or the Company's (in respect of a Direct Issuance Notes) other present and future unsecured and unsubordinated obligations.

(b) **Guarantee (in respect of a Tranche of KW Notes)**: In respect of a Tranche of KW Notes, the Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the KW Note Issuer under the Trust Deed and the KW Notes, the Receipts and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Trust Deed. 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.

4. **Negative Pledge and Other Covenants**

(a) ***Negative Pledge***

So long as any of the Notes or the Coupons in respect thereof remain outstanding (as defined in the Trust Deed),

(A) in case of a Tranche of KW Notes or the Coupons in respect thereof, neither the KW Note Issuer, the Guarantor, nor the Company will, and each of the KW Note Issuer, Guarantor and the Company will ensure that none of its respective Principal Subsidiaries (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) will, or

(B) in case of a Tranche of Direct Issuance Notes or the Coupons in respect thereof, the Company will not, and the Company will ensure that none of its Principal Subsidiaries (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) will,

create, or permit to subsist, 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 outside the PRC or to secure any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC, (A) without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness outside the PRC, guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed), or (B) except for (i) security interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof, (ii) lien arising by operation of law, (iii) any Limited Recourse Indebtedness, or (iv) any security interest on any property or asset of the Company, the Guarantor, the KW Note Issuer or any of their respective Principal Subsidiaries (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice.

(b) ***Information Report to NDRC***

Where the Circular on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號））issued by the NDRC and which came into effect on 14 September 2015, as supplemented by the relevant document issued by the NDRC in relation to the annual foreign debt quota and/or the relevant pre-issuance registration or amended registration certificate available to the Company (where applicable) and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time (the "**NDRC Circular**") apply, for the benefit of the relevant Series or Tranche of Notes to be issued in accordance with these Conditions, the Company undertakes to:

(A) file or cause to be filed with the NDRC the requisite information and documents within the prescribed time period after the relevant Issue Date in accordance with the NDRC Circular (the "**NDRC Post-issue Information Report**"); and

(B) within ten PRC Business Days after submission of such NDRC Post-issue Information Report set out in Condition 4(b)(A) above, provide the Trustee with a certificate signed by any authorised signatory of the Company confirming the submission of the NDRC Post-issue Information Report.

The Trustee shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Information Report or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Information Report, and shall not be liable to the Noteholders or any other person for not doing so.

(c) ***Undertakings in relation to the Direct Issuance Notes***

In respect of a Tranche of Direct Issuance Notes, the Company undertakes to use all reasonable endeavours to complete the registration and filing on or before the Registration Deadline (as defined in Condition 6(g)) with SAFE or its local counterpart of the relevant Notes (the "**Foreign Debt Registration**") which application shall be made by the Company in accordance with the Administrative Measures for Foreign Debt Registration（外債登記管理辦法）issued by the SAFE and which came into effect on 13 May 2013 and any implementation rules, reports, certificates or guidelines as issued by the SAFE from time to time (the "**SAFE Measures**") and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing（中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知（銀發[2017]9號））promulgated by the People's Bank of China ("**PBOC**") on 11 January 2017 and any implementation rules, reports, certificates or guidelines as issued by the PBOC, which will be made by the Company within the prescribed time period in accordance therewith.

The Trustee shall have no obligation or duty to monitor or ensure the registration with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Foreign Debt Registration, and shall not be liable to the relevant Noteholders or any other person for not doing so.

(d) ***Financial Covenant***

In case of a Tranche of KW Notes or the Coupons in respect thereof, each of the KW Note Issuer and the Guarantor undertakes that it shall at all times maintain its Consolidated Net Worth at not less than US$1.00 or its equivalent.

The financial covenant set out in this Condition 4(d) shall be tested by reference to the Guarantor Audited Financial Reports or, as the case may be, the Guarantor Unaudited Consolidated Management Accounts as at the end of each Relevant Period.

The Trustee is under no obligation to monitor compliance by the KW Note Issuer or the Guarantor with this Condition 4(d) and shall not be responsible or liable to any Noteholder or any other person for not doing so.

(e) ***Financial Reports***

(i) For so long as any KW Note remains outstanding:

(A) each of the KW Note Issuer and the Guarantor will procure the Company to furnish the Trustee with:

1. a Compliance Certificate of the Company (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Company Audited Financial Reports within 180 days of the end of each Relevant

Period prepared in accordance with applicable Accounting Standards (audited by a nationally recognised firm of independent accountants, which is in the candidate list of qualified firms of accountants published by Sichuan SASAC on its website from time to time ("**Sichuan SASAC Qualified Auditor**")) of the Company and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same, which is (X) translated by (x) a Sichuan SASAC Qualified Auditor or (y) a professional translation service provider and checked and confirmed by a Sichuan SASAC Qualified Auditor, and (Y) approved by the Company; and

2. a copy of the Company Unaudited Consolidated Management Accounts within 120 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same, which is (X) translated by (x) a Sichuan SASAC Qualified Auditor or (y) a professional translation service provider and checked and confirmed by a Sichuan SASAC Qualified Auditor, and (Y) approved by the Company,

(B) each of the KW Note Issuer and the Guarantor will furnish the Trustee with:

1. a Compliance Certificate of each of the KW Note Issuer and the Guarantor (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Guarantor Audited Financial Reports within 180 days of the end of each Relevant Period; and

2. a copy of the Guarantor Unaudited Consolidated Management Accounts within 120 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports.

(ii) For so long as any Direct Issuance Note remains outstanding, the Company will furnish the Trustee with the documents set out in Condition 4(e)(i)(A) above.

(f) ***Issuer Activities:***

In respect of a Tranche of KW Notes, the KW Note Issuer shall not, and the Guarantor and the Company will procure that the KW Note Issuer will not, carry on any business or other activities other than those in connection with issue of, and performance of its obligations under, the KW Notes and the Trust Deed and the on-lending of the proceeds of the issue of the KW Notes to the Company or any of its Subsidiaries and any other activities incidental thereto.

(g) ***Equity Interest Purchase:***

In respect of a Tranche of KW Notes:

(i) in the event that an Event of Default has occurred, the Company has undertaken, upon the receipt of a written Trigger Notice provided by the Trustee (in accordance with the Trust Deed), to promptly purchase Equity Interest pursuant to the Deed of Equity Interest Purchase Undertaking; and

(ii) upon the completion of any such purchase of Equity Interest made in accordance with the Deed of Equity Interest Purchase Undertaking, each of the KW Note Issuer and Guarantor undertakes to (A) direct the Company promptly to pay or procure to be paid

an amount not less than the Relevant Amount from the proceeds to be received by the Guarantor in relation to such purchase of Equity Interest in accordance with the Deed of Equity Interest Purchase Undertaking to, or to the order of, the Trustee and (B) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received in accordance with the Deed of Equity Interest Purchase Undertaking to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and the KW Notes (including any interest accrued but unpaid on the KW Notes) prior to any other use, disposal or transfer of the proceeds received.

5. **Interest and other Calculations**

(a) ***Interest on Fixed Rate Notes***: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) ***Interest on Floating Rate Notes and Index Linked Interest Notes***:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.00 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (in the case of CNH HIBOR) or 9.30 a.m. (Beijing time) (in the case of SHIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR or HIBOR, CNH HIBOR or SHIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, or, if the Reference Rate is SHIBOR, the principal Shanghai office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m. (Beijing time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is SHIBOR, at approximately 9.30 a.m.

(Beijing time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market or, if the Reference Rate is SHIBOR, the Shanghai inter-bank market, as the case may be, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) ***Zero Coupon Notes***: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) ***Dual Currency Notes***: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) ***Partly Paid Notes***: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) ***Accrual of Interest***: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) ***Margin, Maximum Rate of Interest/Minimum Rates of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding***:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the

case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes unit means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) ***Calculations***: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) ***Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts***: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the KW Note Issuer and the Company, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period

Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) ***Definitions***: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual or Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market and, in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) ***Calculation Agent***: The KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall (with prior written notification to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) ***Redemption by Instalments and Final Redemption***:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon.

The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) ***Early Redemption:***

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i)(C), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(d) or Condition 6(e), shall be the Final Redemption Amount unless otherwise specified hereon.

(c) ***Redemption for Taxation Reasons***: The Notes may be redeemed at the option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) satisfies the Trustee immediately prior to the giving of such notice that:

(i) (A) the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (B) such obligation cannot be avoided by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) taking reasonable measures available to it; or

(ii) (A) the Guarantor (in respect of a Tranche of KW Notes) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 or the Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (B) such obligation cannot be avoided by the Guarantor (in respect of a Tranche of KW Notes) 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 KW Note Issuer (or the Guarantor, as the case may be, in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall deliver to the Trustee a certificate signed by one authorised signatory of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) stating that the obligation referred to in (i)(A) and (i)(B) above of this Condition 6(c) cannot be avoided by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) taking reasonable measures available to it or (as the case may be) a certificate signed by one authorised signatory of the Guarantor (in respect of a Tranche of KW Notes) stating that the obligation referred to in (ii)(A) and (ii)(B) above of this Condition 6(c) cannot be avoided by the Guarantor (in respect of a Tranche of KW Notes) taking reasonable measures available to it, and the Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (i)(A) and (i)(B) or (as the case may be) (ii)(A) and (ii)(B) above of this Condition 6 (c), in which event it shall be conclusive and binding on the Noteholders, Couponholders and Receiptholders.

(d) ***Redemption at the Option of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes)***: If Call Option is specified hereon, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption, the notice to the Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption at the Option of Noteholders***: If Put Option is specified hereon, the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes).

(f) ***Redemption for Change of Control***:

At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) to redeem all, but not some only, of that holder's relevant Notes on the Change of Control Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to the Change of Control Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being

current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Note (together with all unmatured Receipts and Coupons and unexchanged Talons) (in the case of Bearer Notes) or Certificate (in the case of Registered Notes) evidencing the Notes to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in accordance with Condition 16.

The "**Change of Control Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall redeem the relevant Notes subject to the Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Settlement Date.

The KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall give written notice to Noteholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(f).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control has occurred and shall not be responsible for or liable to Noteholders, the KW Note Issuer, the Guarantor or the Company for any loss arising from any failure to do so.

In this Condition 6(f):

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

(i) Sichuan SASAC and any other person directly controlled by the central government of the PRC (together, the "**Government**"), together cease to directly or indirectly hold or own not less than 75 per cent. of the issued share capital of the Company; or

(ii) (in the case of a Tranche of KW Notes only) the Company ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of each of the KW Note Issuer and the Guarantor; or

(iii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are controlled, directly or indirectly, by the Government; and

"**control**" means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

(g) ***Redemption for No Registration Event***

In respect of a Tranche of Direct Issuance Notes only, at any time following the occurrence of a No Registration Event (as defined below), the Company shall, at the option of the holder of any Direct Issuance Note redeem all but not some only of the Direct Issuance Notes of the relevant Tranche held by such holder on the No Registration Put Settlement Date at a price equal to their principal amount (together with interest accrued to the date fixed for redemption). Following the occurrence of a No Registration Event, the Company shall give notice to the Noteholders in accordance with Condition 16 by not later than seven days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the procedure for exercise by the Noteholders of their rights to require redemption of the Direct Issuance Notes pursuant to this Condition 6(g).

In order to exercise such option, the holder of a Direct Issuance Note must, within 30 days following (i) a No Registration Event or (ii) (if later) the day upon which the Company gives such relevant notice to Noteholders in accordance with Condition 16, deposit the Note or Certificate relating to such Direct Issuance Note with the Principal Paying Agent together with a duly completed and signed notice of redemption (a "**No Registration Put Exercise Notice**") in the form obtainable from the Specified Office of the Principal Paying Agent. The "**No Registration Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above. No Note or Certificate, once deposited with a duly completed No Registration Put Exercise Notice in accordance with this Condition 6(g), may be withdrawn; **provided, however, that** if, prior to the No Registration Put Settlement Date, the Direct Issuance Notes so deposited or Direct Issuance Notes evidenced by any Certificate so deposited become immediately due and payable or, upon due presentation of any Note or Certificate on the No Registration Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Direct Issuance Note or Certificate shall, without prejudice to the exercise of such option, be returned to the holder by uninsured first class mail (airmail if overseas) at the address specified by such holder in the relevant No Registration Put Exercise Notice.

For the purposes of these Conditions:

a "**No Registration Event**" occurs when the Release Condition is not satisfied on or before the Registration Deadline;

"**Registration Deadline**" means the day falling 90 Registration Deadline Business Days after the date of, in respect of a Tranche of Direct Issuance Notes, the relevant Issue Date;

"**Registration Deadline Business Day**" for the purposes of this Condition means a day other than a Saturday or Sunday on which banks are open for business and settlement in the PRC;

"**Release Condition**" means, in respect of a Tranche of Direct Issuance Notes, the delivery to the Trustee of:

(a) a certificate in substantially the form set forth in the Trust Deed signed by any authorised signatory of the Company confirming (x) the completion of the Foreign Debt Registration; and (y) that no Event of Default is outstanding; and

(b) a true copy of the relevant SAFE registration certificate.

(h) ***Purchases***: Each of the KW Note Issuer, the Guarantor, the Company and their respective Subsidiaries may at any time purchase the Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may be held, resold or,

at the option of the KW Note Issuer, the Guarantor or the Company, surrendered to the Principal Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the KW Note Issuer, the Guarantor, the Company or their respective Subsidiaries, shall not entitle such holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10 and Condition 11.

(i) ***Cancellation***: All Notes purchased by or on behalf of the KW Note Issuer, the Guarantor, the Company or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Principal Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the KW Note Issuer, the Guarantor or the Company, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the KW Note Issuer, the Guarantor and/or the Company (as applicable) in respect of any such Notes shall be discharged.

7. ***Payments and Talons***

(a) ***Bearer Notes***: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer from the Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) ***Registered Notes:***

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the

due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(B) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

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

(c) ***Payments in the United States***: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), any adverse tax consequence to the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes).

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

(e) ***Appointment of Agents***: The Principal Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the KW Note Issuer, the Guarantor and the Company and their respective specified offices are listed below. The Principal Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the KW Note Issuer, the Guarantor and the Company and do not assume

any obligation or relationship of agency or trust for or with any Noteholder, Couponholder or Receiptholders. The KW Note Issuer, the Guarantor and the Company reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall at all times maintain (i) an Principal Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) and the Company shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons***:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made

only against the provision of such indemnity as the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) ***Non-Business Days***: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong and the PRC.

8. **Taxation**

All payments of principal, premium and interest by or on behalf of the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Relevant Jurisdiction, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by (i) the KW Note Issuer (in respect of a Tranche of KW Notes) or, as the case may be, the Guarantor (in respect of a Tranche of KW Notes) by or within the PRC at the rate of up to and including the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of the relevant Notes (the "**Applicable Rate**"), or (ii) the Company (in respect of a Tranche of Direct Issuance Notes), by or within the PRC at the Applicable Rate, the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) will increase the amounts paid by it to the extent required,

so that the net amount received by Noteholders, Couponholders and Receiptholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the Relevant Jurisdiction except the PRC, the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes)shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders, Couponholders and Receiptholders 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 Note, Coupon or Receipt:

(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 Note, Coupon or Receipt by reason of his having some connection with the BVI or the PRC or, in the case of payments made by the Guarantor, Hong Kong or the PRC other than the mere holding of the Note, Coupon or Receipt; or

(b) ***Surrender more than 30 days after the Relevant Date***: in respect of which the definitive Note or 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 definitive Note or Certificate representing such Note for payment on the last day of such period of 30 days.

In these Conditions,

"**Relevant Date**" in respect of any Note, Receipt or Coupon means whichever is the later of (1) the date on which payment in respect thereof first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed; and

"**Relevant Jurisdiction**" means, in respect of a Tranche of KW Notes, the British Virgin Islands (the "**BVI**"), Hong Kong, the PRC, any jurisdiction in which the KW Note Issuer, the Guarantor and the Company respectively is incorporated, any jurisdiction of residence for tax purposes of the KW Note Issuer, the Guarantor and the Company respectively or any political subdivision or any authority thereof or therein having power to tax and, in respect of a Tranche of Direct Issuance Notes, the PRC, any jurisdiction in which the Company is incorporated, any jurisdiction of residence for tax purposes of the Company or any political subdivision or any authority thereof or therein having power to tax.

9. **Prescription**

Claims against the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. **Events of Default**

In respect of a Tranche of Notes, if any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in nominal amount of the relevant Series of Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it in any such case being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the KW Note Issuer (in respect of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) and/or, as the case may be, the Company (in respect of a Tranche of Direct Issuance Notes) declaring that such Tranche of Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) ***Non-Payment***: (i) in respect of a Tranche of KW Notes, the KW Note Issuer and the Guarantor each fail to pay the principal of or any premium (if applicable) on any of the KW Notes when due; or any interest on any of the KW Notes within seven days after the due date for such payment or (ii) in respect of a Tranche of Direct Issuance Notes, the Company fails to pay the principal of or any premium (if applicable) on any of the Direct Issuance Notes when due; or any interest on any of the Direct Issuance Notes within seven days after the due date for such payment; or

(b) ***Breach of Other Obligations***: (i) in respect of a Tranche of KW Notes, the KW Note Issuer or the Guarantor or the Company does not perform or comply with any one or more of its other obligations in the KW Notes, the Trust Deed, the Keepwell Deed (other than the breach of Clause 2.1 of the Keepwell Deed, which may trigger the put option contained in Condition 6(f)), the Deed of Equity Interest Purchase Undertaking or under the Guarantee which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the KW Note Issuer (copied to the Company and the Guarantor) by the Trustee or (ii) in respect of a Tranche of Direct Issuance Notes, the Company does not perform or comply with any one or more of its other obligations in the Direct Issuance Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Company by the Trustee; or

(c) ***Cross-Acceleration***: (i) in respect of a Tranche of KW Notes, (x) any other present or future indebtedness of the KW Note Issuer, the Company, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (y) the principal of any such indebtedness is not paid when due or, if applicable, within any grace period, or (z) the KW Note Issuer, the Company, the Guarantor or any of their respective Subsidiaries fails to pay when due prior to or on its stated maturity any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, if such obligation is not discharged or otherwise satisfied within 10 calendar days following the service on the KW Note Issuer, the Company, the Guarantor or the relevant Subsidiaries of notice requesting the same to be remedied, **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 and are continuing equals or exceeds equivalent of not less than US$80,000,000 or its equivalent or (ii) in respect of a Tranche of Direct Issuance Notes, (x) any other present or future indebtedness of the Company or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (y) the principal of any such indebtedness is not paid when due or, if applicable, within any grace period, or (z) the Company or any of its Subsidiaries fails to pay when due prior to or on its stated maturity any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, if such obligation is not discharged or otherwise satisfied within 10 calendar days following the service on the Company or the relevant Subsidiaries of notice requesting the same to be remedied, **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 and are continuing equals or exceeds equivalent of not less than US$80,000,000; or

(d) ***Enforcement Proceedings***: (i) in respect of a Tranche of KW Notes, a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the KW Note Issuer, the Company or the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days or (ii) in respect of a Tranche of Direct Issuance Notes, a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Company or any of its Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) ***Security Enforced***: (i) in respect of a Tranche of KW Notes, any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the KW Note Issuer, the Company or the Guarantor or any of their respective Principal Subsidiaries over all or a material part of the assets of the KW Note Issuer, the Company, the Guarantor or any of their respective Principal Subsidiaries 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 45 days or (ii) in respect of a Tranche of Direct Issuance Notes, any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company or any of its Principal Subsidiaries over all or a material part of the assets of the Company or any of its Principal Subsidiaries 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 45 days; or

(f) ***Insolvency***: (i) in respect of a Tranche of KW Notes, the KW Note Issuer, the Company or the Guarantor or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the KW Note Issuer, the Company, the Guarantor or any of their respective Principal Subsidiaries or (ii) in respect of a Tranche of Direct Issuance Notes, the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors

in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Company or any of its Principal Subsidiaries; or

(g) ***Winding-up***: (i) in respect of a Tranche of KW Notes, an order is made or an effective resolution passed for the winding-up or dissolution of the KW Note Issuer, the Company or the Guarantor or any of their respective Principal Subsidiaries, or the KW Note Issuer, the Company or 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 for* (x) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the holders of the relevant Series of the KW Notes, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the KW Note Issuer, the Company or the Guarantor (as the case may be) or another of its Subsidiaries, in any combination; or (y) a solvent winding up of any Principal Subsidiary other than the Guarantor and the KW Note Issuer; or (z) in the case of a Principal Subsidiary, a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of its Subsidiaries, in any combination or (ii) in respect of a Tranche of Direct Issuance Notes, an order is made or an effective resolution passed for the winding-up or dissolution of the Company or any of its Principal Subsidiaries, or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, *except for* (x) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the holders of the relevant Series of the Direct Issuance Notes, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Subsidiaries, in any combination; or (y) a solvent winding up of any Principal Subsidiary; or (z) in the case of a Principal Subsidiary, a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of its Subsidiaries, in any combination; or

(h) ***Nationalisation***: (i) in respect of a Tranche of KW Notes, any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the KW Note Issuer, the Company, the Guarantor or any of their respective Subsidiaries or (ii) in respect of a Tranche of Direct Issuance Notes, any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Subsidiaries; or

(i) ***Authorisation and Consents***: (i) in respect of a Tranche of KW Notes, 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 to (x) enable the KW Note Issuer, the Company and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the KW Notes, the Trust Deed, the Keepwell Deed (other than with regard to the performance of and compliance with obligations thereunder) or the Deed of Equity Interest Purchase Undertaking (other than with regard to the performance of and compliance with obligations thereunder), (y) ensure that those obligations are legally binding and enforceable and (z) make the KW Notes, the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done or (ii) in respect of a Tranche of Direct Issuance Notes, 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 to (x) enable the Company

lawfully to enter into, exercise its rights and perform and comply with its obligations under the Direct Issuance Notes or the Trust Deed, (y) ensure that those obligations are legally binding and enforceable and (z) make the Direct Issuance Notes or the Trust Deed admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done; or

(j) ***Illegality***: (i) in respect of a Tranche of KW Notes, it is or will become unlawful for any of the KW Note Issuer, the Company or the Guarantor to perform or comply with any one or more of its obligations under any of the KW Notes, the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking or (ii) in respect of a Tranche of Direct Issuance Notes, it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Direct Issuance Notes or the Trust Deed; or

(k) ***Unenforceability of Guarantee***: in respect of a Tranche of KW Notes, 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) ***Keepwell Deed or Deed of Equity Interest Purchase Undertaking***: in respect of a Tranche of KW Notes, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is not or is claimed by the Company not to be in full force and effect, or the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its terms; or

(m) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in paragraphs (a) to (g) of this Condition 10.

"**Principal Subsidiary**" means any Subsidiary of the KW Note Issuer, the Guarantor or the Company:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated gross assets of the Company and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Company and its Subsidiaries including, for the avoidance of doubt, the investment of the Company in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, **provided that** 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 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 (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the 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;

(ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Company and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Company;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross 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 Company; and

if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the 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 Company.

The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

11. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of, in respect of a Tranche of Notes, the relevant Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Agency Agreement, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or any of the provisions of the Trust Deed. Such a meeting may be convened by the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes), the Company or the Trustee and shall be convened by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) if required in writing by the Noteholders holding more than 10 per cent. in nominal amount of the Notes for the

time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons, the Agency Agreement, the Trust Deed, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal amount of, any premium payable on redemption of, or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of at least 50 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 50 per cent. in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution passed by the Noteholders will be binding on all the holders of the relevant Series of Notes, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all the Receiptholders and Couponholders.

The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the KW Note Issuer to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the KW Note Issuer, the Guarantor, the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

12. **Enforcement**

At any time after the relevant Tranche of Notes become due and payable, the Trustee may, at its discretion and without notice, take such proceedings against the KW Note Issuer, the Guarantor and/or the Company as it may think fit to enforce the provisions of the Trust Deed, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Notes, the Receipts, the Coupons or the relevant Guarantee unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the KW Note Issuer, the Guarantor (if applicable) or the Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

13. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the KW Note Issuer, the Company, the Guarantor and any entity related to the KW Note Issuer, the Company or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders on any report, confirmation or certificate or any report, confirmation, opinion, certificate, advice or information of or from any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion, certificate, advice or information and, in such event, such report, confirmation, certificate, opinion, advice or information shall be binding on the KW Note Issuer, the Company, the Guarantor and the Noteholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the KW Note Issuer, the Guarantor, the Company and any other person appointed by the KW Note Issuer and/or the Guarantor and/or the Company under the Trust Deed, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement or these Conditions or in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the KW Note Issuer or the Guarantor or the Company 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 Noteholder, the KW Note Issuer, the Guarantor, the Company or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

The Trustee shall have no obligation to monitor or take any steps to ascertain whether an Event of Default or a Potential Event of Default has occurred, and shall not be liable to the holders or any other person for not doing so.

14. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and requirements of stock exchange or other relevant authority, at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) for the purpose and notice of whose designation is given to Noteholders, 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. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. **Further Issues**

Subject to compliance with Conditions 4(b) and 4(c), the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects except for the first payment of interest on them, the NDRC Post-issue Information Report and the Foreign Debt Registration (in respect of a Tranche of Direct Issuance Notes) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the KW Note Issuer (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. **Notices**

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes).

So long as any Global Note or Global Certificate is held in its entirely on behalf of Euroclear and Clearstream, Luxembourg any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by the relevant

clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. **Currency Indemnity**

In respect of a Tranche of Notes, if any sum due from the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) in respect of the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee, the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the relevant Tranche of the Notes, the Receipts, the Coupons, the Guarantee or the Trust Deed, the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) shall indemnify the Trustee and each relevant Noteholder, Couponholder and Receiptholders, on the written demand of the Trustee or such Noteholder, Couponholder or Receiptholder addressed to the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and delivered to the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes), against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Noteholder, Couponholder or Receiptholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the KW Note Issuer (in case of a Tranche of KW Notes), the Guarantor (in respect of a Tranche of KW Notes) or the Company (in respect of a Tranche of Direct Issuance Notes) and shall give rise to a separate and independent cause of action.

18. **Governing Law and Jurisdiction**

(a) ***Governing law***: The Notes, the Receipts, the Coupons, the Talons, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement and the Trust Deed are governed by, and will 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 Notes, the Receipts, the Coupons, the Talons, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Receipts, the Coupons, the Talons, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement and the Trust Deed (Proceedings) may be brought in such courts. Each of the KW Note Issuer, the Guarantor and

the Company irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) ***Service of Process***: Each of the KW Note Issuer and the Company hereby irrevocably appoints the Guarantor to accept service of process in Hong Kong in respect of any Proceedings at 6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. Such service shall be deemed completed on delivery to the Guarantor (whether or not it is forwarded to and received by the KW Note Issuer or the Company, as the case may be). Each of the KW Note Issuer and the Company undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

(d) ***Immunity***: Each of the KW Note Issuer, the Guarantor and the Company 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.

19. **Rights of Third Parties**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes.

20. **Definitions**

In these Conditions:

"**Accounting Standards**" means,

(a) with respect to the Company, Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time or any other internationally generally accepted accounting standards that the Company has adopted for the purpose of its consolidated financial statements; and

(b) with respect to the KW Note Issuer and the Guarantor, HKFRS or any other internationally generally accepted accounting standards that the KW Note Issuer or the Guarantor has adopted for the purpose of their respective consolidated financial statements;

in each case, as consistently applied;

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all classes of partnership interests in a partnership, any and all membership interests in a limited liability company, any and all other equivalent ownership interests and any and all warrants, rights or options to purchase any of the foregoing;

"**Company Audited Financial Reports**" means the annual audited consolidated profit and loss, balance sheet and cashflow statements of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable Accounting Standards;

"**Company Unaudited Consolidated Management Accounts**" means, for a Relevant Period, the unaudited consolidated profit and loss, balance sheet and cashflow statements of the Company prepared in accordance with the applicable Accounting Standards;

"**Compliance Certificate**" means a certificate of the Company, the Guarantor and/or the KW Note Issuer (as the case may be) signed by any one of their respective authorised signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company, the Guarantor or the KW Note Issuer (as the case may be) as at a date (the "**Certification Date**") not more than five days before the date of the certificate, no Event of Default, Potential Event of Default or other Triggering Event 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;

"**Consolidated Net Worth**" means, in respect of any person, the excess of total assets of such person and its consolidated Subsidiaries over total liabilities of such person and its consolidated Subsidiaries, with such total assets and total liabilities each as shown on such person's most recent audited financial statements (prepared in accordance with the applicable Accounting Standards), if any;

"**Equity Interest**" means the Capital Stock held by a Relevant Transferor (as defined in the Deed of Equity Interest Purchase Undertaking) and which is subject to the Purchase pursuant to an Equity Interest Transfer Agreement (as defined in the Deed of Equity Interest Purchase Undertaking);

"**Guarantor Audited Financial Reports**" means the annual audited consolidated profit and loss, balance sheet and cashflow statements of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable Accounting Standards;

"**Guarantor Unaudited Consolidated Management Accounts**" means, for a Relevant Period, the unaudited consolidated profit and loss, balance sheet and cashflow statements of the Guarantor prepared in accordance with the applicable Accounting Standards;

"**HKFRS**" means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Issue Date**" means the date of issue of the relevant Tranche of Notes;

"**Limited Recourse Indebtedness**" means any Relevant Indebtedness if (i) by the terms of such financing it is expressly **provided that** the holders of the resulting indebtedness look to the properties or assets of the issuer or the borrower and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets for repayment of the moneys advanced and payment of interest thereon and (ii) such financing is not guaranteed by the KW Note Issuer, the Guarantor, the Company or any Principal Subsidiary.

"**Listed Subsidiary**" means, at any time, any Subsidiary of the KW Note Issuer, the Guarantor, or, as the case may be, the Company, the ordinary voting shares of which are at such time listed on The Stock Exchange of Hong Kong Limited or any other recognised stock exchange;

"**NDRC**" means the National Development and Reform Commission of the PRC or its relevant competent local counterpart;

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"**Potential Event of Default**" means an event or circumstance (being an event or circumstance which has not been remedied to the satisfaction of the Trustee or waived in writing by the Trustee) which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10, become an Event of Default;

"**PRC**" means the People's Republic of China which, solely for the purposes of these Conditions, excludes Hong Kong, Macau and Taiwan;

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

"**Relevant Amount**" means, in respect of a Tranche of KW Notes, the following:

(a) if the Triggering Event is an Event of Default, an amount in the relevant currency that is no less than (i) the amount sufficient to enable the KW Note Issuer and the Guarantor to discharge in full their respective obligations under the KW Notes, the Guarantee and the Trust Deed (including without limitation the payment of the principal amount of the KW Notes then outstanding as at the date of the Trigger Notice and any interest due and unpaid and/or accrued but unpaid on the KW Notes up to but excluding the date of such Trigger Notice), plus (ii) an amount equal to the interest payable in respect of one interest period on the KW Notes outstanding, plus (iii) all costs, fees, expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the KW Notes, the Guarantee, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Trigger Notice plus provisions for fees, costs, expenses and other amounts which may be incurred after the date of the Trigger Notice, as notified by the Trustee in the Trigger Notice; or

(b) if the Triggering Event is a Shortfall Event, an amount in the relevant currency no less than the amount sufficient to enable the KW Note Issuer and the Guarantor to remedy the Shortfall Event;

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being listed, quoted, or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means (i) in relation to each of the Company Audited Financial Reports and the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year); (ii) in relation to each of the Company Unaudited Consolidated Management Accounts and the Guarantor Unaudited Consolidated Management Accounts, each period of six months ending on the last day of their respective first half financial year (being 30 June of that financial year);

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local counterpart;

"**Sichuan SASAC**" means the State-owned Assets Supervision and Administration Commission of the People's Government of Sichuan Province;

"**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 the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Triggering Event**" means, in respect of a Tranche of KW Notes, any of the following events:

(i) an Event of Default; or

(ii) the Guarantor or the KW Note Issuer (as the case may be) determines that it will have insufficient liquidity or cashflow to meet its payment obligations under the KW Notes, the Guarantee or the Trust Deed as they fall due (a "**Shortfall Event**").

"**Trigger Notice**" means the notice substantially in the form set out in Schedule 1 to the Deed of Equity Interest Purchase Undertaking.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms of Conditions of the Notes".

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Note or Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the KW Note Issuer or the Company to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the KW Note Issuer or the Company in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the KW Note Issuer or the Company will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the KW Note Issuer or the Company will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent (as agent of the KW Note Issuer or the Company) for his share of each payment so made by the KW Note Issuer or the Company in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Bearer Notes issued in accordance with TEFRA D must be initially represented by a temporary Global Note. Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form required by the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Bearer Notes with a term of more than 365 days (taking into account any unilateral rights to rollover or extend the term) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the KW Note Issuer or the Company to comply with the certification requirements under TEFRA D.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(e) may not be collected without certificate as to non-U.S. beneficial ownership.

Further Issues

In respect of a Bearer Note issued under TEFRA D, a further issue of Notes by the KW Note Issuer or the Company pursuant to Condition 15 may be consolidated with outstanding Notes only after certification of non-U.S. beneficial ownership has been received in accordance with TEFRA D and the temporary Global Note has been exchanged for a permanent Global Note or Definitive Note.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such 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 in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant 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 the event that a Global Certificate is exchanged for a definitive certificate, such definitive certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the KW Note Issuer or the Company will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the KW Note Issuer or the Company will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against certification as to non-U.S. beneficial ownership in the form required by the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Principal Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(c) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) 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 record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

Prescription

Claims against the KW Note Issuer or the Company in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note or by a Global Certificate may only be purchased by the KW Note Issuer, the Guarantor, the Company or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Option of the KW Note Issuer or the Company

Any option of early redemption of the KW Note Issuer or the Company provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or by a Global Certificate shall be exercised by the KW Note Issuer or the Company giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the KW Note Issuer or the Company is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Principal Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of all or some of the Notes represented by the Global Certificate.

Notices

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream and/or the CMU, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream and/or the CMU for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream and/or the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the KW Note Issuer or the Company may forfeit such Notes and shall have no further obligation to their holders in respect of them.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Capitalised terms used in this section shall have the meanings given to them in the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake with the KW Note Issuer, the Guarantor and the Trustee that it shall directly or indirectly own and hold all the outstanding shares of each of the KW Note Issuer and the Guarantor and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a Disposal Order.

Under the Keepwell Deed, the Company will undertake with the KW Note Issuer, the Guarantor and the Trustee that it shall maintain the Guarantor as the primary overseas investment holding Subsidiary of the Company and primary overseas fund raising platform of the Company.

In addition, the Company will undertake that it shall cause:

- each of the KW Note Issuer and the Guarantor to have a Consolidated Net Worth of at least US $1.00 at all times;
- each of the KW Note Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by each of the KW Note Issuer and the Guarantor of any amounts payable under the KW Notes, the Coupons in relation to the KW Notes or the Guarantee in accordance with the terms and conditions of the KW Notes and/or the Trust Deed;
- each of the KW Note Issuer and the Guarantor to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable Accounting Standards;
- its Consolidated Net Worth will not be less than CNY60,000,000,000 at all times; and
- the ratio of its Consolidated Total Liabilities to its Consolidated Total Assets shall at any time be not more than 85:100.

Under the Keepwell Deed, each of the KW Note Issuer and the Guarantor will undertake that its Consolidated Net Worth will not be less than US$1.00 at all times.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the Trust Deed.

For so long as any of the KW Notes or the Coupons in respect thereof remain outstanding, the Company will undertake to the Trustee in the Keepwell Deed that neither the Company nor any of its Principal Subsidiaries (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) will create or permit to subsist 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 outside the PRC or to secure any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC. (A) without at the same time or prior thereto according to the KW Notes the same security as is created or subsisting to secure any such Relevant Indebtedness outside the PRC, guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed), or (B) except for (i) security interest on any property or asset existing at the time of acquisition of such property or asset or to secure the payment of all or any part of the purchase price or construction cost thereof or to secure any indebtedness incurred prior to, or at the time of, such acquisition or the

completion of construction of such property or asset for the purpose of financing all or any part of the purchase price or construction cost thereof, (ii) lien arising by operation of law, (iii) any Limited Recourse Indebtedness, or (iv) any security interest on any property or asset of the Company, the Guarantor, the KW Note Issuer or any of their respective Principal Subsidiaries (other than a Listed Subsidiary and Subsidiaries of a Listed Subsidiary) which is created pursuant to any securitisation, repackaging or like arrangement in accordance with normal market practice.

For so long as the KW Notes are outstanding, the Company will further undertake:

- to procure that the articles of association of each of the KW Note Issuer and the Guarantor shall not be amended in a manner that is, directly or indirectly, adverse to the holders of the KW Notes;

- to cause each of the KW Note Issuer and the Guarantor to remain in full compliance with the terms and conditions of the KW Notes, the Guarantee, the Trust Deed and all applicable rules and regulations of the British Virgin Islands and Hong Kong;

- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Trust Deed;

- to cause each of the KW Note Issuer and the Guarantor to take all action necessary in a timely manner to comply with their respective obligations under the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Guarantee and the Trust Deed; and

- to procure that the KW Note Issuer will not carry on any business activity whatsoever other than in connection with the KW Notes (which activities shall, for the avoidance of doubt, include the on-lending of a portion of the proceeds of the issue of the KW Notes (the "**Proceeds of the KW Notes**") to the Guarantor or the Company or any of their respective Subsidiaries) and to cause such recipient of the Proceeds of the KW Notes to pay the interest and principal under the intercompany loan in respect of such Proceeds of the KW Notes on time.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind, or character whatsoever, of the KW Note Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The parties to the Keepwell Deed will acknowledge that in order for each of the KW Note Issuer the Company and the Guarantor to comply with its respective obligations under the Keepwell Deed, the KW Note Issuer, the Company and/or the Guarantor may require Regulatory Approvals, pursuant to applicable laws and performance thereof is qualified by, and subject to, the receipt of such Regulatory Approvals.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed.

The Keepwell Deed shall remain in full force and effect so long as any KW Notes or Coupons in relation to the KW Notes are outstanding.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking. Capitalised terms used in this section shall have the meanings given to them in the Deed of Equity Interest Purchase Undertaking.

Triggering Events

Each of the KW Note Issuer, the Guarantor and the Company undertakes to promptly notify the Trustee in writing (and include sufficient details of such event) of the occurrence of any of the following events:

(a) an Event of Default in respect of the KW Notes; or

(b) the Guarantor or the KW Note Issuer (as the case may be) determines that it will have insufficient liquidity or cashflow to meet its payment obligations under the KW Notes, the Guarantee or the Trust Deed as they fall due (a "**Shortfall Event**").

Obligation to Acquire Equity Interest

The Company intends to assist the KW Note Issuer and the Guarantor in meeting their obligations under the KW Notes, the Coupons in relation to the KW Notes, the Trust Deed and the Guarantee. Pursuant to the terms of the Deed of Equity Interest Purchase Undertaking entered into between the Trustee, the Company, the Guarantor and the KW Note Issuer, in the event that an Event of Default in respect of the KW Notes or a Shortfall Event has occurred, upon the receipt of a Trigger Notice provided by the Trustee (in accordance with the Trust Deed), the Company shall, subject to obtaining all Regulatory Approvals, purchase (either by itself or through a PRC incorporated Subsidiary of the Company as designated by it (the "**Designated Purchaser**")) (the "**Purchase**"):

(a) the Equity Interest held by the Guarantor and/or the KW Note Issuer, as designated by the Company and notified in writing to the Trustee within seven Business Days after the date of the Trigger Notice; or

(b) in the absence of a designation and notification within seven Business Days after the date of the Trigger Notice, the Equity Interest of all wholly-owned Subsidiaries held by the Guarantor and the KW Note Issuer,

(each such designated entity in the case referred to in paragraph (a) above or, as the case may be, each such Subsidiary of the Company in the case referred to in paragraph (b) above, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant Purchase Closing Date on the terms set out in the Deed of Equity Interest Purchase Undertaking and the Equity Interest Transfer Agreement.

The Trustee shall (i) if so notified in writing by the KW Note Issuer, the Guarantor or the Company that a Triggering Event has occurred or (ii) if the Trustee is so requested by holders of at least 25 per cent. in nominal amount of the KW Notes then outstanding or if so directed by an Extraordinary Resolution (provided in any such case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), provide a Trigger Notice to the Company, the KW Note Issuer and the Guarantor in accordance with the Trust Deed.

Within 15 Business Days after the date of the Trigger Notice, the Company shall determine in accordance with any applicable PRC laws and regulations effective at the time of determination (i) the purchase price of the Equity Interest(s) subject to the Purchase (the "**Purchase Price**"); and (ii) the other applicable terms relating to the Purchase, **provided that** the Purchase Price shall be no less than the following amount:

(a) if the Triggering Event is an Event of Default, an amount in the relevant currency that is no less than (i) the amount sufficient to enable the KW Note Issuer and the Guarantor to discharge in full their respective obligations under the KW Notes, the Guarantee and the Trust Deed (including without limitation the payment of the principal amount of the KW Notes then outstanding as at the date of the Trigger Notice and any interest due and unpaid and/or accrued but unpaid on the KW Notes up to but excluding the date of such Trigger Notice), plus (ii) an amount equal to the interest payable in respect of one interest period on the KW Notes outstanding, plus (iii) all costs, fees, expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the KW Notes, the Guarantee, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Trigger Notice plus provisions for fees, costs, expenses and other amounts which may be incurred after the date of the Trigger Notice, as notified by the Trustee in the Trigger Notice; or

(b) if the Triggering Event is a Shortfall Event, an amount in the relevant currency no less than the amount sufficient to enable the KW Note Issuer and the Guarantor to remedy the Shortfall Event;

In relation to the Purchase of any Equity Interest relating to a company incorporated in the PRC held by any Relevant Transferor, the Company, subject to the paragraph below, agrees that, subject to necessary modification required by the applicable laws at the time of the relevant Purchase:

(i) within 35 Business Days after the date of the Trigger Notice, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the Target Subsidiary to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations of the PRC and shall file such agreements and/or documents as required by applicable laws and regulations with MOFCOM, for approval of the transfer of the Equity Interests as being the subject of the Purchase;

(ii) within five Business Days after the receipt of approval from MOFCOM, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for AIC registration of the transfer of the Equity Interest of each Relevant Transferor;

(iii) as soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority;

(iv) within five Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE and the Qualified Bank (as defined below) (where applicable) (a) to change the SAFE registration of the Target Subsidiary or the Target Subsidiaries (as the case may) and (b) for the outbound remittance of the Purchase Price; and

(v) closing of such purchase shall take place on the fifth Business Day after the date of receipt of the approvals from SAFE (the "**Onshore Purchase Closing Date**"), and on the Onshore Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in same day funds in the relevant currency to such account in Hong Kong as may be designated by such Relevant Transferor,

In relation to the Purchase of any Equity Interest relating to a Target Subsidiary incorporated in the PRC held by any Relevant Transferor, such Target Subsidiary not being subject to special market entry administration by MOFCOM pursuant to article 2 of the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (MOFCOM [2016] No. 3)(《外商投資企業設立及變更備案管理暫行辦法》(商務部令[2016]3號))(as amended and supplemented by the Decision of the Ministry of Commerce on Revising the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (MOFCOM [2017] No. 2)(商務部關於修改《外商投資企業設立及變更備案管理暫行辦法》的決定(商務部令[2017]2號)), the "**MOFCOM Interim Measures**"), the Company agrees that, subject to necessary modification required by the applicable laws at the time of the relevant Purchase:

(i) within 30 days after the decision is made by the board of directors of the Target Subsidiary in respect of the relevant Equity Interest Transfer Agreement (such decision shall be made within 35 Business Days after the date of the Trigger Notice), the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the Target Subsidiary to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations of the PRC and shall, file such agreements and/or documents as required by the MOFCOM Interim Measures and other applicable laws and regulations with MOFCOM, for record-keeping of the transfer of the Equity Interests as being the subject of the Purchase;

(ii) within 45 Business Days after the date of the Trigger Notice, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for AIC registration of the transfer of the Equity Interest of each Relevant Transferor;

(iii) as soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority;

(iv) within five Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE and the Qualified Bank (as defined below) (where applicable) (a) to change the SAFE registration of the Target Subsidiary or the Target Subsidiaries (as the case may be) and (b) for the outbound remittance of the Purchase Price; and

(v) closing of such purchase shall take place on the Onshore Purchase Closing Date, and on the Onshore Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in same day funds in the relevant currency to such account in Hong Kong as may be designated by such Relevant Transferor.

In relation to the Purchase of any Equity Interest relating to a Target Subsidiary incorporated outside the PRC held by any Relevant Transferor, the Company agrees that, subject to necessary modification required by the applicable laws at the time of the relevant Purchase:

(i) within 35 Business Days after the date of the Trigger Notice, the Company shall (a) submit a project information report and other required documents to the NDRC (where applicable) and (b) submit the preliminary report and other required documents for overseas mergers and acquisitions, to MOFCOM, a bank at the place of registration of the Company which has obtained the financial institution identification code assigned by SAFE and has activated the capital account information system with SAFE at its domicile (a "**Qualified Bank**") pursuant to article 1(1) of the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies

of Foreign Exchange Administration Applicable to Direct Investment (Hui Fa [2015] No. 13)(國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) and SAFE (where applicable);

(ii) within 15 Business Days after obtaining the confirmation of NDRC, MOFCOM, such Qualified Bank and SAFE (where applicable) for the report referred to in paragraph (i) immediately above, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the Target Subsidiaries to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in the Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations, and shall file such agreements and/or documents as required by applicable laws and regulations with NDRC, MOFCOM, such Qualified Bank, SAFE (where applicable) and authorities of other jurisdictions in charge of the Purchase (where applicable), for approval or registration of the transfer of the Equity Interests as being the subject of the Purchase; and

(iii) closing of such purchase shall take place on the fifth Business Day after the date of receipt of the approvals or registration from NDRC, MOFCOM, such Qualified Bank, SAFE (where applicable) and authorities of other jurisdiction in charge of the Purchase as referred to in paragraph (ii) immediately above (the "**Offshore Purchase Closing Date**"), and on the Offshore Purchase Closing Date, the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in same day funds in the relevant currency to such account in Hong Kong as may be designated by such Relevant Transferor.

The Company may discharge its obligations either by itself or through the Designated Purchaser.

The Deed of Equity Interest Purchase Undertaking shall remain in full force and effect so long as any of the KW Notes or Coupons in relation to the KW Notes remain outstanding.

The Deed of Equity Interest Purchase Undertaking is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the KW Note Issuer or the Guarantor under the laws of any jurisdiction, including the PRC.

The parties to the Deed of Equity Interest Purchase Undertaking will acknowledge that in order for the Company to comply with its obligations under the Deed of Equity Interest Purchase Undertaking, it may require Regulatory Approvals and performance thereof is qualified by, and subject to, the receipt of such Regulatory Approvals.

The Deed of Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed.

MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS

Summary of significant differences between PRC GAAP and IFRS

The Group's Financial Statements, the English versions of which included in this Offering Circular, have been prepared on the basis stated therein in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group 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 as to the difference 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 Group, other potentially significant accounting and disclosure differences may have been required that are not identified below.

Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future. Accordingly, no assurance is **provided that** the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of an impairment loss

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

Related Party Disclosures

Under PRC GAAP, government-related entitles are not regarded as related parties simply because they are both under control of the State, but do not have other related party relationships between them. Under IFRS, government-related entities can be regarded as related parties according to the definition of related party.

Fixed assets and intangible assets

Under PRC GAAP, only the cost model is allowed to value fixed assets and intangible assets. Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy. However, whichever model chosen shall be applied consistently to the entire class of fixed assets and intangible assets.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes 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 summary 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 Notes 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 Notes or any person acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

PRC

For Direct Issuance Notes

Pursuant to the PRC Enterprise Income Tax Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income withholding tax is levied on the payment of interest by way of withholding in respect of debt securities, including securities issued by enterprises established within the territory of China, such as the Company, to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong resident individuals). The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. For instance, the tax so charged on Distributions paid on the Direct Issuance Notes to non-PRC holders which, or who, are qualified residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of the double taxation arrangement between the Mainland of China and Hong Kong and relevant interpretation of the Arrangement formulated by the SAT will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between the Mainland of China and Hong Kong. The Company as issuer of Direct Issuance Notes shall withhold such income tax at the applicable rates in respect of the Distribution payable on the Notes and pay such income tax to the PRC tax authorities on behalf of the holders in accordance with the applicable tax laws and regulations. The Company has undertaken to pay additional amounts to the investors of the Direct Issuance Notes so that the holders of Direct Issuance Notes receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Direct Issuance Notes.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Direct Issuance Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In addition, under the Individual Income Tax Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Direct Issuance Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident holders may be subject to enterprise income tax at a rate of 10 per cent. or individual income tax at a rate of 20 per cent. of the gross proceeds unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant non-resident holders reside which reduces or exempts such income tax.

The Circular 36, which are issued On 23 March 2016,and has been amended 20 March 2019 by the MOF and the SAT, confirms that business tax of the construction industry, the real estate industry, the financial industry, and the living service industry has been replaced by Value-add Tax ("**VAT**") as at 1 May 2016. Income derived from the provision of financial services which was previously subject to business tax is instead subject to VAT.

According to Circular 36, entities and individuals providing such 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 within 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. In practice, bonds (such as the Direct Issuance Notes) are generally regarded as a type of loan by the PRC tax authorities. Therefore, the issuance of Direct Issuance Notes is likely to be treated as the holders of the Direct Issuance Notes providing loans to the Company as issuer of Direct Issuance Notes, which thus shall be regarded as financial services subject to VAT. Given that the Company is established in the PRC, accordingly, the interest payable by the Company to a non-resident holder would be subject to PRC withholding VAT at the rate of 6 per cent. plus related surcharges.

VAT is unlikely to be applicable to any transfer of Direct Issuance Notes between entities or individuals outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes.

Circular 36 has been issued quite recently, these rules may change upon the issuance of clarifying guidance and or different interpretation by the competent tax authorities. There is uncertainty as to the application of Circular 36 to the Direct Issuance Notes.

Pursuant to the EIT Law and the VAT reform detailed above, the Company as issuer of Direct Issuance Notes shall withhold EIT (should such tax apply) from Distributions in respect of the Notes for any non-PRC-resident holders of Direct Issuance Notes and the Company as issuer of Direct Issuance Notes shall withhold VAT (should such tax apply) from the Distributions in respect of the Direct Issuance Notes for any holder of Direct Issuance Notes outside of the PRC. However, in the event that the Company as issuer of Direct Issuance Notes is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Company has, subject to certain exceptions, agreed to pay such additional amounts as will result in receipt by the holders of Direct Issuance Notes of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 9 (Taxation and Withholding)*".

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

For KW Notes

Under the EIT Law of the PRC, an enterprise established outside the PRC with a "de facto management body" within the PRC is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Circular 82 provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management

frequently reside within the PRC. Circular 45 further prescribes the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

Neither the KW Note Issuer nor the Guarantor believes that it is currently a PRC resident enterprise. However, neither the KW Note Issuer nor the Guarantor can assure holders of the KW Notes that it will not be deemed "a resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on its global income in the future, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income".

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-source income derived by non-resident enterprises, subject to adjustment by applicable treaty. The implementation regulations of the EIT Law further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. Therefore, interest payments on the KW Notes may be treated as PRC source income if the KW Note Issuer or the Guarantor (if the Guarantor is required to discharge its obligations under the Guarantee) is treated as a PRC resident enterprise, in which case such tax must be withheld at source. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders of the KW Notes reside that reduces or exempts such PRC income tax. Any gains realised on the transfer of the KW Notes by overseas holders of the KW Notes may be subject to PRC income tax at a rate of 10 per cent. for enterprise holders of the KW Notes or 20 per cent. for individual holders of the KW Notes, if such gains are regarded as PRC-sourced.

Although the issuance of the KW Notes is likely to be treated as financial services for VAT purposes, Circular 36 stipulates that services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. In connection with the issue of the KW Notes, none of the KW Note Issuer or the holders of KW Notes is located in the PRC. However, there is no assurance that the issuance of KW Notes will not be treated as financial services for VAT purpose. If the issuance of KW Notes is treated as the holders of KW Notes providing financing services within the PRC by the relevant tax authorities, the holders of the KW Notes shall be subject to VAT at the rate of 6 per cent. plus related surcharges when receiving the interest payments under the KW Notes. Given that the KW Note Issuer or the Guarantor (if the Guarantor is required to discharge its obligations under the Guarantee) pays interest income to holders of KW Notes who are located outside of the PRC, the KW Note Issuer or the Guarantor acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to holders of KW Notes who are located outside of the PRC.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

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 Notes may be subject to profits tax in Hong Kong in the following circumstances:

(a) Interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong

(b) Interest on the Notes 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;

(c) Interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of the Laws of Hong Kong (the "**Inland Revenue Ordinance**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

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

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

Sums derived from the sale, disposal or redemption of Notes 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. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

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

Stamp duty will not be payable on the issue of Bearer Notes **provided** either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the relevant issuer on the issue of the Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

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 Notes 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 Notes 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 persons resident in the British Virgin Islands with respect to the Notes.

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

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

United States FATCA Tax Provision

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) 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 KW Notes Issuer and/or the Company may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands, Hong Kong and the People's Republic of China) 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 offshore restricted shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 Notes, such withholding would not apply to the Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "Terms and Conditions of the Notes – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an ICG with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the Circular on Promoting the Administrative Reform of the Filing and Registration System for the Issuance of Foreign Debts by Enterprises (Fa Gai Wai Zi [2015] No. 2044)(《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》)(the "**New NDRC Circular**"), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the New NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

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

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

Pursuant to the New NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within 5 working days of receipt and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application.

To issue foreign debts, an enterprise shall meet these basic conditions:

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

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

According to the New NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as "One Belt and One Road", the coordinated development of Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta Economic Zones, international cooperation on production capacity, and the manufacturing of equipment.

As the New NDRC Circular is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification. The Company undertakes that it will comply with the requirements of the New NDRC Circular in respect of any Notes that may be issued under the Programme.

The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular.

Additional guidance has been issued by the NDRC (the "**NDRC Circular Guidelines**") on 18 December 2015, which states that companies, investment banks, law firms and other intermediaries involved in offshore debt securities issues which do not comply with the registration requirement under the New NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented, on the exact sanctions that will be enacted by the NDRC, or any impact on the holders of the Notes, in the event of a non-compliance by the KW Note Issuer or the Company with the New NDRC Circular.

PRC CURRENCY CONTROLS

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

Current Account Items

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

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

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprise does not necessarily need to be included in the Supervision List) or (b) enterprises that have been approved as a pilot enterprise for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (《關於簡化跨境人民幣業務流程和完善有關政策的通知》) (銀發[2013]168號), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

The foregoing measures and circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

Capital Account Items

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

On 7 April 2011, SAFE issued the *Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border RMB Capital Account Items* (《國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知》), which clarifies that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantees in Renminbi shall in principle follow the current regulations on the provision of external guarantees in foreign currencies.

On 3 December 2013, MOFCOM promulgated the *Notice of the Ministry of Commerce on Issues concerning Cross-border Direct Investment in RMB.* (《關於跨境人民幣直接投資有關問題的公告》). The Notice also requires that the proceeds of cross-border direct investment in RMB may not be directly or indirectly used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in the PRC domestic listed companies through private placements or share transfers by agreement.

On 13 October 2011, the PBOC issued the Measures for the Administration on *RMB Settlement in Foreign Direct Investment* (《外商直接投資人民幣結算業務管理辦法》), which has been amended on 29 May 2015, setting out operating procedures for PRC banks to handle RMB settlement relating to RMB FDI and borrowing by foreign invested enterprises of offshore RMB loans. According to the Measures, foreign invested enterprises, whether established or acquired by foreign investors, shall complete the corporate information registration after the completion of relevant RMB FDI transactions, and shall make post-event registration or filing with the PBOC of increases or decreases in registered capital, equity transfers or swaps, merger or acquisition or other changes to registered information.

On 30 March 2015, SAFE promulgated the *Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)), which became effective on 1 June 2015 and has been amended on 30 December 2019. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;

- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;

- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;

- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;

- further standardising the administration of payment by the capital obtained by foreign exchange settlement;

- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and

- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the *Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment*《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號) issued on 13 February 2015 and has been amended on 30 December 2019, SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

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

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100% of the average daily deposit balance in the previous six months as opposed to the former 50%; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30% of owner's equity in the audited financial statements of the previous year.

The foregoing circulars, notices and measures will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances are subject to the specific requirements or restrictions set out in the relevant SAFE rules.

SUBSCRIPTION AND SALE

The Arrangers and the Dealers have, in a dealer agreement dated 29 January 2018 as amended and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the KW Note Issuer, the Guarantor and the Company a basis on which they or any of them may from time to time agree to subscribe the Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, in respect of a Tranche of KW Notes, the KW Note Issuer, failing whom the Guarantor (and the Company shall ensure that the KW Note Issuer or, as the case may be, the Guarantor, has sufficient funds to do so) or, in respect of a Tranche of Direct Issuance Notes, the Company, agrees to pay the relevant Dealer a commission to be agreed between the KW Note Issuer in respect of a Tranche of KW Notes, the Guarantor (in respect of a Tranche of KW Notes), the Company and the relevant Dealer in respect of the Notes subscribed by it. The KW Note Issuer (failing which, the Guarantor) and the Company have agreed to reimburse the Arrangers and the Dealers for certain of their expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Arrangers and the Dealers for certain of their activities in connection with the Programme.

In addition, a commission may be paid to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks.

The KW Note Issuer, the Guarantor and the Company have agreed to indemnify the Arrangers and the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Arrangers and the Dealers to terminate any agreement that they make to subscribe the Notes in certain circumstances prior to payment for such Notes being made to the KW Note Issuer or the Company.

The Arrangers, the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Arrangers, the Dealers and certain of their affiliates may have performed (or may in the future perform) certain investment banking and advisory services for the KW Note Issuer, the Guarantor, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the KW Note Issuer, the Guarantor, the Company and/or their respective affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) 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 and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the KW Note Issuer, the Guarantor or the Company or their respective subsidiaries, jointly controlled entities or associated companies. In connection with a Tranche of the Notes issued under the Programme, the Arrangers, the Dealers or certain of their affiliates may purchase the Notes and allocate the Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Arrangers, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the KW Note Issuer, the Guarantor, the Company or their respective subsidiaries or affiliates at the same time as the offer and sale of a Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained (see "Risk Factors – Risk Relating to the Notes Generally – One or more investor may subscribe for a material proportion of the aggregate principal amount of any Tranche of Notes"). The KW Notes Issuer, the Guarantor, the Company and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

Selling Restrictions

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, the BVI, Japan, Hong Kong, the PRC, Singapore, Taiwan and Macau, to persons connected therewith. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Dealers or any affiliate of the Dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the KW Note Issuer or the Company in such jurisdiction.

United States of America

In the case of Regulation S Category 1 offering, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered or sold or, in the case of Bearer Notes, delivered, and shall not offer or sell or, in the case of Bearer Notes, deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, 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 the Notes.

In the case of Regulation S Category 2 offering, the Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer represents and agrees that it has offered and sold or, in the case of Bearer Notes, delivered, and shall not offer and sell or, in the case of Bearer Notes, deliver, Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, only in accordance with Rule 903 of Regulation S. Accordingly, 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 the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer and its affiliates also agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant

Dealer(s), in the case of a non-syndicated issue, or the lead manager, in the case of syndicated issue, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in the paragraphs above have the meanings given to them by Regulation S.

In addition, unless the Pricing Supplement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "**TEFRA C**" or "not applicable", each Dealer represents and agrees in relation to a Tranche of Bearer Notes:

(A) except to the extent permitted under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**Code**")) (the "**TEFRA D**"):

    (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and

    (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(B) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Bearer Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;

(C) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) for purposes of Section 4701 of the Code; and

(D) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Bearer Notes during the restricted period, it either (a) repeats and confirms the representations contained in (A) through (C) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the KW Note Issuer and the Company the representations contained in (A) through (C) above.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA D.

Notes issued pursuant to TEFRA D and any Receipts or Coupons appertaining thereto will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"

In addition, to the extent that the Pricing Supplement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C", under rules in substantially the same form as U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code (the "**TEFRA C**")), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United

States or its possessions in connection with their original issuance. Further, in connection with the original issuance of Bearer Notes, each Dealer represents and agrees that it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the Relevant Dealer(s) shall agree with the KW Note Issuer or the Company as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each Relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U. S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) *Approved prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate approved in another Relevant State and notified to the competent authority in their Relevant State, **provided that** any such prospectus which has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the KW Note Issuer (in respect of the relevant Tranche of KW Notes) or, as the case may be, the Company (in respect of the relevant Tranche of Direct Issuance Notes) has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified Investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the KW Notes Issuer (in respect of the relevant Tranche of KW Notes) or, as the case may be, the Company (in respect of the relevant Tranche of Direct Issuance Notes) for any such offer; or

(d) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the KW Notes Issuer (in respect of the relevant Tranche of KW Notes) or, as the case may be, the Company (in respect of the relevant Tranche of Direct Issuance Notes) or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA"**); or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the KW Note Issuer or the Company;

(b) 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the KW Note Issuer or the Company; and

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

British Virgin Islands

Each Dealer has represented warranted and agreed, and each further Dealer appointed under the Programme will be required to represent warrant and agree, that it has not made and will not make an offer to the public or any person resident in the BVI to purchase or subscribe for the Notes.

Japan

The Notes 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 "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

In relation to a Tranche of Notes to be issued by the KW Note Issuer or the Company under the Programme, each Dealer has represented and agreed, and each further Dealer appointed under the Programme be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not

result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; 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 Notes, 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 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that the offer of the Notes is not an offer of securities within the meaning of the Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in the PRC except as permitted by the securities laws of the PRC.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any persons in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in Section 275(2) of the SFA pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes 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 (as defined in Section 239(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 Notes pursuant to an offer made under Section 275 of the SFA, except:

1. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

2. where no consideration is or will be given for the transfer;

3. where the transfer is by operation of law;

4. as specified in Section 276(7) of the SFA; or

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

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Taiwan

Unless the Notes have been registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan, the Notes may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan.

Macau

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus the Notes have not been and will not be offered or sold in Macau, unless such offer is made by Macau licenced entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

General

Each Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular and any other offering or publicity material or any applicable Pricing Supplement. None of the KW Note Issuer, the Company, the Trustee or any of the Dealers represent that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular, any other offering or publicity material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required. With regard to a Tranche, the Relevant Dealer(s) will be required to comply with any additional restrictions agreed between the KW Note Issuer, the Company and the Relevant Dealer(s) and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Authorisations**

   The Company has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the entry of the Keepwell Deed (in respect of the KW Notes), the entry of the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes) and the performance of its obligations under the Direct Issuance Notes, the Keepwell Deed (in respect of the KW Notes), the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), the Trust Deed and the Agency Agreement. The establishment and the update of the Programme, the entry into of the Keepwell Deed (in respect of the KW Notes) and the entry into of the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes) were authorised by resolutions of the board of directors of the Company on 15 December 2017. The update of the Programme was further authorised by resolutions of the board of directors of the Company on 8 September 2020.

   The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the Guarantee (in respect of the KW Notes), the execution of the Keepwell Deed (in respect of the KW Notes), the execution of the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), the Trust Deed and the Agency Agreement. The giving of the Guarantee (in respect of the KW Notes) was authorised by resolutions of the board of directors of the Guarantor on 15 December 2017. The update of the Programme was authorised by resolutions of the board of directors of the Guarantor on 21 May 2018 and further on 5 February 2021.

   The KW Notes Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme, the issue of the KW Notes thereunder and the performance of its obligations under the KW Notes, the Keepwell Deed (in respect of the KW Notes), the Deed of Equity Interest Purchase Undertaking (in respect of the KW Notes), the Trust Deed and the Agency Agreement. The establishment and the update of the Programme and the issue of the KW Notes thereunder were authorised by resolutions of the directors of the KW Notes Issuer on 15 December 2017. The update of the Programme was further authorised by resolutions of the board of directors of the KW Notes Issuer on 8 February 2021.

2. **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company and the Group since 30 June 2020.

   Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Guarantor since 30 June 2020.

   Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the KW Note Issuer since 30 June 2020.

3. **Litigation**: None of the KW Note Issuer, the Guarantor, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the KW Note Issuer, the Guarantor or the Company, as the case may be, believes are material in the context of the establishment of the Programme or the issue of Notes thereunder, nor is any of the KW Note Issuer, the Guarantor or the Company aware that any such proceedings are pending or threatened.

4. **Legal Entity Identifier Number**: 3003008OFTD3ORZ61396

5. **Available Documents**: Copies of the following documents will be available for inspection from the date of this Offering Circular at the Company's principal place of business at Tower A, China Overseas International Center, No. 177 Jiaozi Avenue, Hi-tech Zone, Chengdu, Sichuan Province, the PRC during normal business hours, so long as any of the Notes issued under the Programme is outstanding:

   (a) the Company's 2018 Consolidated Financial Statements;

   (b) the Company's 2019 Consolidated Financial Statements;

   (c) the Company's 2020 Interim Consolidated Financial Statements;

   (d) the Guarantor's 2018 Consolidated Financial Statements;

   (e) the Guarantor's 2019 Consolidated Financial Statements;

   (f) the Guarantor's 2020 Interim Consolidated Financial Statements;

   (g) the Trust Deed;

   (h) the Agency Agreement;

   (i) the Keepwell Deed;

   (j) the Deed of Equity Interest Purchase Undertaking;

   (k) the memorandum and articles of association of the KW Note Issuer;

   (l) the memorandum and articles of association of the Guarantor;

   (m) the articles of association of the Company;

   (n) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the KW Note Issuer, the Company or the Trustee as to its holding of Notes and identity);

   (o) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced; and

   (p) the Operating and Administrative Procedures Memorandum.

6. **Financial Statements:** the Company's 2018 Consolidated Financial Statements and the Company's 2019 Consolidated Financial Statements have been audited by ShineWing, the Company's independent auditor, as stated in their report appearing therein. The Company's 2018 Consolidated Financial Statements have been included in F-391 to F-579 in this Offering Circular. The Company's 2019 Consolidated Financial Statements have been included in F-190 to F-390 in this Offering Circular. The Company's 2020 Interim Consolidated Financial Statements are unaudited but have been reviewed by ShineWing as stated in their report appearing therein. The Company's 2020 Interim Consolidated Financial Statements have been included in F-3 to F-189 in this Offering Circular. The Guarantor's 2018 Consolidated Financial Statements and the Guarantor's 2019 Consolidated Financial Statements have been audited by ShineWing (HK), the Guarantor's independent auditor, as stated in their reports appearing therein. The Guarantor's 2018 Consolidated Financial Statements have been included in F-685 to F-762 in this Offering Circular. The Guarantor's 2019 Consolidated Financial Statements have been included in F-602 to F-684 in

this Offering Circular. The Guarantor's 2020 Interim Consolidated Financial Statements are unaudited but have been reviewed by ShineWing (HK) as stated in their report appearing therein. The Guarantor's 2020 Interim Consolidated Financial Statements have been included in F-580 to F-601 in this Offering Circular

7. **Listing:** Application will be made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. The issue price of the Notes to be listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the KW Note Issuer, the Company or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

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(Note: Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail)

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Review Report

XYZH/2020CDAA20043

To the Board of Directors of Sichuan Development International Holding CO., LTD.

We have accepted your entrustment to review the accompanying consolidated balance sheet of Sichuan Development Holding CO., LTD (hereinafter to be referred as Sichuan Development Company) as well as the balance sheet of Sichuan Development Company as of June 30, 2020, and the related consolidated statements of income, and cash flows and also the related statements of income and cash flows of Sichuan Development Company, and also notes to financial statements for the period from January 1, 2020 to June 30, 2020. The management of Sichuan Development Company is responsible for the preparation and fair presentation of these interim financial statements. Our responsibility is to issue our review report on these interim financial statements based on our review.

We have 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 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.

According to our review, we have not noticed any items that could make us believe that financial statements have not been prepared in accordance with the requirements of Notes II to the Financial Statement.

ShineWing Certified Public Accountants

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

Beijing, China

September 30, 2020

Consolidated Balance Sheet

As of June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	2020.6.30	2019.12.31
Current assets	1		
Cash and cash equivalents	2	118,386,105,527.09	115,547,759,024.11
Settlement reserves	3		
Loans to banks and other financial institutions	4		
Held-for-trading financial assets	5	1,816,706,189.15	1,561,406,533.02
Financial assets at fair value through profit or loss	6	5,097,792,787.17	4,149,366,079.52
Derivative financial assets	7		
Notes receivable	8	1,075,948,290.27	1,463,433,274.02
Accounts receivable	9	27,056,747,634.22	25,043,438,081.84
Receivables for financing	10		
Prepayments	11	10,916,616,315.10	8,154,963,673.05
Premium receivable	12		
Reinsurance receivable	13		
Reinsurance contract reserves receivable	14		
Other receivables	15	41,197,580,712.84	40,756,573,622.94
Financial assets under reselling agreement	16		
Inventories	17	74,503,678,905.19	69,270,167,996.79
Contract assets	18	1,083,095,111.92	
Assets held for sale	19		
Non-current assets due within one year	20	11,310,935,733.05	9,096,182,008.50
Other current assets	21	26,583,477,172.85	17,833,055,899.03
Total current assets	22	**319,028,684,378.85**	**292,876,346,192.82**
Non-current assets	23		
Loans and advances to customers	24	6,430,900,247.44	6,829,485,257.75
Debt investments	25	134,612,259.18	
Available-for-sale financial assets	26	49,835,568,330.41	49,914,606,864.86
Other debt investments	27		
Held-to-maturity investments	28	2,879,671,400.00	2,127,051,400.00
Long-term receivables	29	98,603,520,646.44	93,622,346,031.97
Long-term equity investments	30	88,946,323,522.69	83,371,966,201.95
Other equity instruments investment	31	3,155,249,008.74	2,174,648,585.97
Other non-current financial assets	32	671,215,987.56	576,104,036.43
Investment properties	33	4,929,996,277.10	4,170,939,013.24
Fixed assets	34	271,796,114,759.43	273,640,727,094.12
Construction in progress	35	104,664,430,683.88	90,417,155,642.40
Productive biological assets	36	41,741,073.89	42,518,734.68
Oil and gas assets	37		
Right-of-use assets	38	419,128,065.28	422,496,046.17
Intangible assets	39	152,273,067,445.74	143,403,707,008.48
Development costs	40	624,664,947.22	528,141,503.37
Goodwill	41	4,313,410,325.56	4,341,417,486.42
Long-term deferred expenses	42	2,059,973,571.05	2,205,146,184.05
Deferred tax assets	43	2,558,657,331.68	2,400,658,481.61
Other non-current assets	44	93,249,220,278.27	93,941,718,070.71
Including: Physical assets reserve specifically authorized	45		
Total non-current assets	46	**887,587,466,161.56**	**854,130,833,644.18**
Total assets	47	**1,206,616,150,540.41**	**1,147,007,179,837.00**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Balance Sheet (Continued)
As of June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	2020.6.30	2019.12.31
Current liabilities	1		
Short-term loans	2	49,768,347,753.48	43,794,497,279.54
Loans from central bank	3		
Deposits from banks and other financial institutions	4		
Held-for-trading financial liabilities	5		
Financial liabilities at fair value through profit or loss	6	262,161,743.74	112,549,008.86
Deriative finance liabilities	7		
Notes payable	8	4,073,198,532.77	2,494,270,871.29
Accounts payable	9	43,473,436,154.08	45,494,505,912.44
Advances from customers	10	13,569,364,244.06	14,980,353,872.79
Contract liabilities	11	2,566,369,072.23	1,087,068,910.21
Payments for the redemption of financial assets	12		
Deposits from customers and interbank	13		
Customer brokerage deposits	14		
Securities unerwriting brokerage deposits	15		
Employee benefits payable	16	2,315,596,582.95	4,105,311,851.04
Taxes payable	17	2,350,081,742.21	3,676,997,142.01
Other payables	18	36,261,096,182.65	34,698,331,563.61
Handling charges and commission payable	19		
Insurance contract reserves	20		
Liabilities held for sale	21		
Non-current liabilities due within one year	22	70,278,323,980.99	62,994,126,254.22
Other current liabilities	23	11,882,677,709.05	12,908,722,159.28
Total current liabilities	24	**236,800,653,698.21**	**226,346,734,825.29**
Non-current liabilities	25		
Insurance contract reserves	26	758,999,660.82	640,312,203.76
Long-term loans	27	488,775,696,870.35	449,330,315,145.55
Bonds payable	28	117,323,212,579.11	111,029,223,853.40
Including: Preferred shares	29		
Perpetual bonds	30		
Lease liabilities	31	334,536,155.52	316,428,186.60
Long-term payables	32	38,256,283,982.27	38,702,939,039.20
Long-term employee benefits payable	33	30,997,810.25	32,718,810.25
Provisions	34	1,552,558,248.38	1,394,866,854.60
Deferred income	35	4,185,271,326.86	4,019,170,553.21
Deferred tax liabilities	36	3,661,876,462.59	3,584,704,324.03
Other non-current liabilities	37	830,681,376.36	1,251,713,904.93
Including: Physical liabilities reserve specifically authorized	38		
Total non-current liabilities	39	**655,710,114,472.51**	**610,302,392,875.53**
Total liabilities	40	**892,510,768,170.72**	**836,649,127,700.82**
Shareholders' equity	41		
Share capital	42	74,041,060,000.00	74,041,060,000.00
State-owned capital	43	74,041,060,000.00	74,041,060,000.00
State-owned legal person's capital	44		
Collective legal person's capital	45		
Private capital	46		
Foreign businessmen's capital	47		
#less: Returned investment	48		
Registered capital net book value	49	74,041,060,000.00	74,041,060,000.00
Other equity instruments	50		
Including: Preferred shares	51		
Perpetual bonds	52		
Capital reserve	53	107,382,277,494.44	101,473,960,505.73
Less: Treasury shares	54		
Other comprehensive income	55	2,759,539,529.33	1,565,837,437.02
Including: exchange differences on translating foreign	56	120,374,030.87	104,252,337.24
Special reserves	57	104,355,648.57	19,186,742.09
Surplus reserves	58	893,977,136.03	893,977,136.03
Including: Staturory accumulation reserve	59	893,977,136.03	893,977,136.03
Discretionary accumulation	60		
#Rerserved funds	61		
#Enterprise expension funds	62		
#Profits capitalised on return of investments	63		
General risk provision	64	211,800,075.70	211,800,075.70
Retained earnings	65	-2,898,738,755.98	3,114,575,004.32
Total equity attributable to shareholders of the Company	66	**182,494,271,128.09**	**181,320,396,900.89**
Non-controlling interests	67	131,611,111,241.60	129,037,655,235.29
Total shareholders' equity	68	**314,105,382,369.69**	**310,358,052,136.18**
Total liabilities and shareholders' equity	69	**1,206,616,150,540.41**	**1,147,007,179,837.00**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Balance Sheet of the Company

As of June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	2020.6.30	2019.12.31
Current assets	1		
Cash and cash equivalents	2	7,839,745,992.88	10,539,628,200.03
Held-for-trading financial assets	3		
Financial assets at fair value through profit or loss	4		
Derivative financial assets	5		
Notes receivable	6		
Accounts receivable	7		
Receivables for financing	8		
Prepayments	9	2,554,787.18	4,559,467.39
Other receivables	10	19,241,244,879.07	19,118,232,258.40
Inventories	11	4,648,429.19	1,925,845.64
Contract assets	12		
Assets held for sale	13		
Non-current assets due within one year	14	14,888,068,702.65	8,122,709,979.34
Other current assets	15	9,627,400,000.00	3,551,000,000.00
Total current assets	16	**51,603,662,790.97**	**41,338,055,750.80**
Non-current assets	17		
Debt investments	18		
Available-for-sale financial assets	19	3,349,513,334.73	3,332,656,788.80
Other debt investments	20		
Held-to-maturity investments	21		
Long-term receivables	22	16,578,389,985.49	22,594,751,004.32
Long-term equity investments	23	170,323,114,398.13	165,382,841,399.23
Other equity instruments investment	24		
Other non-current financial assets	25		
Investment properties	26		
Fixed assets	27	5,965,610.04	6,375,925.05
Construction in progress	28		
Productive biological assets	29		
Oil and gas assets	30		
Right-of-use assets	31		
Intangible assets	32	460,650.19	460,650.19
Development costs	33		
Goodwill	34		
Long-term deferred expenses	35	6,231,111.08	3,677,216.77
Deferred tax assets	36		
Other non-current assets	37	6,107,550,892.60	6,107,550,892.60
Including: Physical assets reserve specifically authorized	38		
Total non-current assets	39	**196,371,225,982.26**	**197,428,313,876.96**
Total assets	40	**247,974,888,773.23**	**238,766,369,627.76**

Legal Representative: 李文清

Chief Financial Officer: 曹建琴

Head of Accounting Department: 林贵印

Balance Sheet of the Company (Continued)

As of June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd. Unit: RMB Yuan

Item	Column	2020.6.30	2019.12.31
Current liabilities	1		
Short-term loans	2	8,347,170,289.52	12,519,181,600.00
Held-for-trading financial liabilities	3		
Financial liabilities at fair value through profit or loss	4		
Deriative finance liabilities	5		
Notes payable	6		
Accounts payable	7		
Advances from customers	8		
Contract liabilities	9		
Employee benefits payable	10	1,731,306.29	38,295,946.53
Taxes payable	11	85,534,184.80	80,418,287.21
Other payables	12	4,315,931,459.33	4,997,109,941.67
Liabilities held for sale	13		
Non-current liabilities due within one year	14	23,443,332,799.71	18,861,772,531.65
Other current liabilities	15		
Total current liabilities	16	**36,193,700,039.65**	**36,496,778,307.06**
Non-current liabilities	17		
Long-term loans	18	39,700,179,432.70	37,351,714,906.50
Bonds payable	19	39,951,006,152.84	35,953,010,300.72
Including: Preferred shares	20		
Perpetual bonds	21		
Lease liabilities	22		
Long-term payables	23	8,348,362,236.63	5,166,034,500.00
Long-term employee benefits payable	24		
Provisions	25	251,327,036.62	251,395,005.74
Deferred income	26		
Deferred tax liabilities	27	9,566,363.10	5,352,226.10
Other non-current liabilities	28		
Including: Physical liabilities reserve specifically authorized	29		
Total non-current liabilities	30	**88,260,441,221.89**	**78,727,506,939.06**
Total liabilities	31	**124,454,141,261.54**	**115,224,285,246.12**
Shareholders' equity	32		
Share capital	33	74,041,060,000.00	74,041,060,000.00
State-owned capital	34	74,041,060,000.00	74,041,060,000.00
State-owned legal person's capital	35		
Collective legal person's capital	36		
Private capital	37		
Foreign businessmen's capital	38		
#less: Returned investment	39		
Registered capital net book value	40	74,041,060,000.00	74,041,060,000.00
Other equity instruments	41		
Including: Preferred shares	42		
Perpetual bonds	43		
Capital reserves	44	49,276,301,429.23	48,788,072,465.74
Less: Treasury shares	45		
Other comprehensive income	46	25,432,424.76	12,037,248.16
Including: exchange differences on translating foreign	47		
Special reserves	48		
Surplus reserves	49	436,006,581.08	436,006,581.08
Including: Staturory accumulation reserve	50	436,006,581.08	436,006,581.08
Discretionary accumulation	51		
#Rerserved funds	52		
#Enterprise expension funds	53		
#Profits capitalised on return of investments	54		
Retained earnings	55	-258,052,923.38	264,908,086.66
Total shareholders' equity	56	**123,520,747,511.69**	**123,542,084,381.64**
Total liabilities and shareholders' equity	57	**247,974,888,773.23**	**238,766,369,627.76**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Income Statement

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	Half year of 2020	Half year of 2019
I.Total operating income	1	**91,266,231,647.89**	**113,122,910,909.57**
Including: Operating income	2	91,249,782,794.32	113,108,213,069.65
Interest income	3	15,091,660.48	14,689,789.68
Earned premiums	4		
Fees and commission income	5	1,357,193.09	8,050.24
II.Total operating costs	6	**95,928,519,796.52**	**113,787,950,528.19**
Including: Operating costs	7	79,427,264,099.83	98,424,775,572.84
Interest expenses	8		
Fees and commission expenses	9	2,922,247.99	1,410,168.86
Payments to surrenders of insurance contracts	10		
Net amount of insurance claims expenses	11		
Net charges of provision for insurance contracts	12	112,435,057.06	49,581,819.28
Dividends policy expenses	13		
Reinsurance expenses	14		
Taxes and surcharges	15	601,798,588.69	530,716,176.53
Selling and distribution expenses	16	1,382,425,935.48	1,477,936,421.07
General and administrative expenses	17	3,352,403,039.71	3,494,300,202.64
Research and development expenses	18	435,557,028.98	127,805,085.35
Financial expenses	19	10,613,713,798.78	9,681,425,081.62
Including: Interest expenses	20	11,778,692,183.00	10,377,346,906.44
Interest income	21	1,380,971,632.14	871,429,528.06
Exchange loss ("-" for gains)	22	92,032,863.22	46,088,794.05
Others	23		
Add: Other income	24	217,765,115.30	277,705,478.15
Investment income ("-" for losses)	25	1,271,441,554.11	3,021,640,152.05
Including:Investment income from associates and joint ventures	26	-723,964,203.78	977,263,904.69
Gains from derecognition of financial assets measured at amortized cost	27		
Exchange gain ("-" for losses)	28		
Net exposure hedging income	29		
Gains from changes in fair value("-" for losses)	30	428,786,004.11	368,819,096.42
Credit impairment losses ("-" for losses)	31	-140,308,101.90	-35,814,781.92
Asset impairment losses ("-" for losses)	32	-100,252,471.53	-62,502,463.20
Gains from asset disposals ("-" for losses)	33	39,469,766.59	4,318,976.09
III. Operating profit ("-" for losses)	34	**-2,945,386,281.95**	**2,909,126,838.97**
Add: Non-operating income	35	823,709,058.44	335,233,050.58
Including: Government grants	36	224,956,124.28	79,117,270.98
Less: Non-operating expenses	37	118,539,382.04	82,704,549.92
IV.Total profit ("-" for losses)	38	**-2,240,216,605.55**	**3,161,655,339.63**
Less: Income tax expenses	39	1,015,731,304.56	1,032,906,982.92
V. Net profit ("-" for net losses)	40	**-3,255,947,910.11**	**2,128,748,356.71**
1. Classified by continuing operation	41		
(1) Net profit from continuing operations ("-" for losses)	42	-6,013,313,760.30	-1,066,254,470.10
(2) Net profit from discontinued operations ("-" for losses)	43	2,757,365,850.19	3,195,002,826.81
2. Classified by ownership	44		
(1) Shareholders of the Company	45	-3,255,947,910.11	2,128,748,356.71
(2) Non-controlling interests	46		
VI.Other comprehensive income, net of tax	47	**1,131,149,184.06**	**311,766,993.88**
Other comprehensive income (net of tax) attributable to shareholders of the Company	48	1,193,702,092.31	340,379,394.30
(1) Items that will not be reclassified to profit or loss	49	-106,742,520.44	42,247,137.75
1. Remeasurement of defined benefit plan liability	50		
2. Share of other comprehensive incomes that cannot be tranferred into profit and loss under equity method	51	36,330,822.40	-4,635,495.46
3. Changes in fair value of other equity instruments investments	52	-143,073,342.84	
4. Changes in fair value of enterprise's own credit risk	53		
5. Others	54		46,882,633.21
(2) Items that may be reclassified to profit or loss	55	1,300,444,612.75	298,132,256.55
1. Share of other comprehensive incomes under equity method	56	1,516,358,897.53	-14,151,687.72
2. Changes in fair value of other creditor's investments	57		
3. Gains or losses from changes in fair value of available for sale financial assets	58	-105,352,716.63	305,895,976.52
4. Amount of financial assets to be reclassified into other comprehensive income	59		
5. Gains or losses of held-to-maturity investments to be reclassified into available-for-sale financial assets	60		
6. Credit impairment provisions for other creditor's investments	61		
7. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)	62	-126,683,261.78	
8.Foreign currency translation difference	63	16,121,693.63	6,387,967.75
9. Others	64		
Net after-tax other comprehensive income attributable to non-controlling interets	65	-62,552,908.25	-28,612,400.42
VII.Total comprehensive income	66	**-2,124,798,726.05**	**2,440,515,350.59**
Total comprehensive income attributable to shareholders of the Company	67	-4,819,611,667.99	-725,875,075.80
Total comprehensive income attributable to non-controlling interests	68	2,694,812,941.94	3,166,390,426.39
VIII.Earnings per share	69		
(1) Basic earnings per share	70		
(2) Diluted earnings per share	71		

Legal Representative: 李之洪

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋祥贵

Income Statement of the Company
From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	Column	Half year of 2020	Half year of 2019
I.Operating income	1	**322,399,114.52**	**314,933,698.74**
Less: Operating cost	2		
Taxes and surcharges	3	8,003,310.74	11,328,758.91
Selling and distribution expenses	4		
General and administrative expenses	5	56,624,725.61	58,791,582.01
Research and development expenses	6		
Financial expenses	7	2,394,164,763.29	1,989,489,740.89
Including: Interest expenses	8	2,439,995,250.36	2,010,821,675.00
Interest income	9	45,887,027.12	22,464,570.53
Exchange loss ("-" for gains)	10		
Others	11		
Add: Other income	12		
Investment income ("-" for losses)	13	1,278,980,092.86	1,596,769,910.27
Including:Investment income from associates and joint ventures	14	-36,546,380.35	184,025,308.06
Gains from derecognition of financial assets measured at amortized cost	15		
Net exposure hedging income	16		
Gains from changes in fair value ("-" for losses)	17		
Credit impairment losses ("-" for losses)	18		
Impairment losses ("-" for losses)	19	351,885,201.89	169,788,491.36
Gains from asset disposals ("-" for losses)	20		
II. Operating profit ("-" for losses)	21	**-505,528,390.37**	**21,882,018.56**
Add: Non-operating income	22	381,834.59	429.36
Including: Government grants	23		
Less: Non-operating expenses	24	17,814,454.26	8,205,296.00
III. Total profit ("-" for losses)	25	**-522,961,010.04**	**13,677,151.92**
Less: Income tax expenses	26		
IV. Net profit ("-" for net losses)	27	**-522,961,010.04**	**13,677,151.92**
(1) Net profit from continuing operations ("-" for losses)	28	-522,961,010.04	13,677,151.92
(2) Net profit from discontinued operations ("-" for losses)	29	-	-
V.Other comprehensive income, net of tax	30	**13,395,176.60**	**25,372,912.50**
(1) Items that will not be reclassified to profit or loss	31		
1. Remeasurement of defined benefit plan liability	32		
2. Share of other comprehensive incomes that cannot be tranferred into profit and loss under equity method	33		
3. Changes in fair value of other equity instruments investments	34		
4. Changes in fair value of enterprise's own credit risk	35		
5. Others	36		
(2) Items that may be reclassified to profit or loss	37	13,395,176.60	25,372,912.50
1. Share of other comprehensive incomes under equity method	38	752,767.67	
2. Changes in fair value of other creditor's investments	39		
3. Gains or losses from changes in fair value of available for sale financial assets	40	12,642,408.93	25,372,912.50
4. Amount of financial assets to be reclassified into other comprehensive income	41		
5. Gains or losses of held-to-maturity investments to be reclassified into available-for-sale financial assets	42		
6. Credit impairment provisions for other creditor's investments	43		
7. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)	44		
8.Foreign currency translation difference	45		
9. Others	46		
VI.Total comprehensive income	47	**-509,565,833.44**	**39,050,064.42**
VII.Earnings per share	48		
(1) Basic earnings per share	49		
(2) Diluted earnings per share	50		

Legal Representative: 李文清

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥印

Consolidated Cash Flow Statement

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	Half year of 2020	Half year of 2019
I. Cash flows from operating activities	1		
Cash received from sales of goods and rendering of services	2	93,369,185,662.07	119,867,753,861.93
Net increase in deposits from customers and inter-banks deposits	3		
Net increase in loans from central bank	4		
Net increase in loans from other financial institutions	5		
Cash receipts of premium of direct insurance contracts	6		
Net cash received from reinsurance contracts	7		
Net increase in deposits from insurance policy holders and investment	8		
Net increase from disposal of financial assets at fair value through profit or loss	9		
Cash receipts of interest, fees and commission	10	285,661,612.14	266,796,836.23
Net increase in borrowings from banks and other financial institutions	11		
Net increase in repurchase operations	12		
Net increase in Securities underwriting brokerage deposits	13		
Cash received from tax refund	14	135,360,322.78	608,971,170.87
Cash received relating to other operating activities	15	18,574,347,556.06	17,652,631,125.62
Sub-total of cash inflows from operating activities	16	**112,364,555,153.05**	**138,396,152,994.65**
Cash paid for goods and services	17	82,159,725,054.59	111,100,117,909.50
Net increase in loans and disbursement to customers	18	-447,649,838.18	-234,076,074.51
Net increase in deposit with central bank and inter-banks	19		
Cash paid for claims of direct insurance contracts	20		
Net increase in Loans to banks and other financial institutions	21		
Cash paid for interest, fee and commission	22	247,601,127.74	294,382,233.26
Cash paid for dividends of insurance policies	23		
Cash paid to and on behalf of employees	24	6,847,425,916.93	7,066,107,553.24
Payments of taxes and surcharges	25	3,918,745,554.48	5,151,544,561.69
Cash paid relating to other operating activities	26	19,702,239,405.90	19,219,388,121.67
Sub-total of cash outflows from operating activities	27	**112,428,087,221.46**	**142,597,464,304.85**
Net cash flows from operating activities	28	**-63,532,068.41**	**-4,201,311,310.20**
II. Cash flows from investment activities	29		
Cash received from withdrawal of investments	30	42,348,024,566.36	60,505,370,655.20
Cash received from investments income	31	2,677,229,763.93	2,469,204,357.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	119,629,409.93	27,852,979.34
Net cash received from disposal of subsidiaries and other business units	33	29,842,198.46	107,053,797.77
Cash received relating to other investing activities	34	3,960,712,210.65	1,993,211,458.05
Sub-total of cash inflows from investing activities	35	**49,135,438,149.33**	**65,102,693,247.57**
Cash paid to acquire fixed assets, intangible assets and other long-term assets	36	28,099,695,783.74	25,538,778,201.39
Cash paid for investments	37	59,789,017,026.15	68,915,465,801.46
Net increase in pledged lending	38		
Net cash paid to acquire subsidiaries and other business units	39	303,074,200.00	50,971,049.00
Cash paid relating to other investing activities	40	5,912,561,993.30	4,367,765,214.56
Sub-total of cash outflow from investing activities	41	**94,104,349,003.19**	**98,872,980,266.41**
Net cash flows from investing activities	42	**-44,968,910,853.86**	**-33,770,287,018.84**
III.Cash flows from financing activities	43		
Cash received from investments	44	6,677,152,359.38	14,042,313,200.08
Including: cash received by subsidiaries from investment of non-controlling interests	45	6,677,152,359.38	3,601,083,200.08
Cash received from loans granted	46	126,782,581,427.55	107,595,498,876.16
Cash received from bonds issued	47	-	-
Cash received relating to other financing activities	48	6,171,888,091.82	6,454,816,525.06
Sub-total of cash inflows from financing activities	49	**139,631,621,878.75**	**128,092,628,601.30**
Cash paid for repayment of borrowings	50	73,085,686,114.98	62,900,396,508.87
Cash paid for dividends, profits or payments of interests	51	14,529,287,966.04	12,420,321,045.20
Including: dividends and profits paid to non-controlling interests by subsidiaries	52	1,255,322,045.84	1,476,852,148.28
Cash paid relating to other financing activities	53	4,213,142,139.74	2,337,629,366.20
Sub-total of cash outflows from financing activities	54	**91,828,116,220.76**	**77,658,346,920.27**
Net cash flows from financing activities	55	**47,803,505,657.99**	**50,434,281,681.03**
IV. Effects of changes in exchange rate on cash and cash equivalents	56	54,196,893.55	-25,882,525.40
V. Net increase in cash and cash equivalents	57	**2,825,259,629.27**	**12,436,800,826.59**
Add: opening balance of cash and cash equivalents	58	111,604,669,038.77	115,156,718,077.08
VI. Closing balance of cash and cash equivalents	59	**114,429,928,668.04**	**127,593,518,903.67**

Legal Representative: 李[illegible]

Chief Financial Officer: 曹[illegible]

Head of Accounting Department: 宋[illegible]

Cash Flow Statement of the Company
From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Column	Half year of 2020	Half year of 2019
I. Cash flows from operating activities	1		
Cash received from sales of goods and rendering of services	2		
Cash received from tax refund	3		
Cash received relating to other operating activities	4	87,572,850.66	387,362,650.78
Sub-total of cash inflows from operating activities	5	**87,572,850.66**	**387,362,650.78**
Cash paid for goods and services	6		
Cash paid to and on behalf of employees	7	65,114,496.06	69,935,429.02
Payments of taxes and surcharges	8	82,912,817.38	97,008,722.32
Cash paid relating to other operating activities	9	82,721,224.41	33,061,315.02
Sub-total of cash outflows from operating activities	10	**230,748,537.85**	**200,005,466.36**
Net cash flows from operating activities	11	**-143,175,687.19**	**187,357,184.42**
II. Cash flows from investment activities	12		
Cash received from withdrawal of investments	13	28,112,833,807.52	34,971,000,000.00
Cash received from investments income	14	962,231,224.27	1,070,485,446.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15		
Net cash received from disposal of subsidiaries and other business units	16		
Cash received relating to other investing activities	17		
Sub-total of cash inflows from investing activities	18	**29,075,065,031.79**	**36,041,485,446.15**
Cash paid to acquire fixed assets, intangible assets and other long-term assets	19	2,959,735.14	4,840,677.21
Cash paid for investments	20	38,772,597,303.37	57,567,537,417.13
Net cash paid to acquire subsidiaries and other business units	21		
Cash paid relating to other investing activities	22		
Sub-total of cash outflow from investing activities	23	**38,775,557,038.51**	**57,572,378,094.34**
Net cash flows from investing activities	24	**-9,700,492,006.72**	**-21,530,892,648.19**
III. Cash flows from financing activities	25		
Cash received from investments	26		10,441,230,000.00
Cash received from loans granted	27	24,673,882,304.00	24,980,182,000.00
Cash received relating to other financing activities	28	506,760,000.00	601,906,295.22
Sub-total of cash inflows from financing activities	29	**25,180,642,304.00**	**36,023,318,295.22**
Cash paid for repayment of borrowings	30	14,431,919,088.28	11,698,645,000.00
Cash paid for dividends, profits or payments of interests	31	2,747,700,792.89	1,568,345,714.51
Cash paid relating to other financing activities	32	857,236,936.07	1,133,324,558.29
Sub-total of cash outflows from financing activities	33	**18,036,856,817.24**	**14,400,315,272.80**
Net cash flows from financing activities	34	**7,143,785,486.76**	**21,623,003,022.42**
IV. Effects of changes in exchange rate on cash and cash equivalents	35	-	-
V. Net increase in cash and cash equivalents	36	**-2,699,882,207.15**	**279,467,558.65**
Add: opening balance of cash and cash equivalents	37	10,539,628,200.03	8,133,460,565.01
VI. Closing balance of cash and cash equivalents	38	**7,839,745,992.88**	**8,412,928,123.66**

Legal Representative: 李永清

Chief Financial Officer: 曹琴

Head of Accounting Department: 宋贵祥

Consolidated Statement of Changes in Equity

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	Half year of 2020													
	Equity attributable to shareholders of the Company												Non-controlling interetsts	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Subtotal		
		Preferred equity	Perpetual bonds	Others										
I. Balance at the end of last year	**74,041,060,000.00**				**101,473,960,505.73**		**1,565,837,437.02**	**19,186,742.09**	**893,977,136.03**	**211,800,075.70**	**3,114,575,004.32**	**181,320,396,900.89**	**129,037,655,235.29**	**310,358,052,136.18**
Add: Changes in accounting policies														
Correction of prior-period errors														
Others														
II. Balance at the beginning of this year	74,041,060,000.00				101,473,960,505.73		1,565,837,437.02	19,186,742.09	893,977,136.03	211,800,075.70	3,114,575,004.32	181,320,396,900.89	129,037,655,235.29	310,358,052,136.18
III. Changes during this peirod ("-" for decreases)					5,908,316,988.71		1,193,702,092.31	85,168,906.48			-6,013,313,760.30	1,173,874,227.20	2,573,456,006.31	3,747,330,233.51
(1) Total comprehensive income							1,193,702,092.31				-6,013,313,760.30	-4,819,611,667.99	2,694,812,941.94	-2,124,798,726.05
(2) Capital contribution and reduction from shareholders					5,908,316,988.71							5,908,316,988.71	2,020,331,976.45	7,928,648,965.16
1. Common stock capital contribution from shareholders													2,362,897,108.78	2,362,897,108.78
2. Capital contribution from holders of other equity instruments													599,880,000.00	599,880,000.00
3. Equity increase from share-based payments														
4. Others					5,908,316,988.71							5,908,316,988.71	-942,445,132.33	4,965,871,856.38
(3) Special reserves								85,168,906.48				85,168,906.48	90,780,199.35	175,949,105.83
1. Provision for special reserves								380,995,561.77				380,995,561.77	464,816,167.60	845,811,729.37
2. Utilisation of special reserves								-295,826,655.29				-295,826,655.29	-374,035,968.25	-669,862,623.54
(4) Profit appropriations													-2,232,469,111.43	-2,232,469,111.43
1. Appropriation to surplus reserves														
Including: legal reserves														
other reserves														
reserve fund														
reserve for business development														
profits capitalized on return of investment														
2. Appropriation to general risks provision														
3. Appropriation to shareholders													-872,409,207.96	-872,409,207.96
4. Others													-1,360,059,903.47	**-1,360,059,903.47**
(5) Transfers within shareholders' equity														
1. Capitalisation of capital reserve														
2. Capitalisation of surplus reserve														
3. Loss offset by surplus reserve														
4. Transfer of defined benefits plan to retained earnings														
5. Other comprehensive income transfer the retained earnings														
6. Others														
IV. Balance at the end of period	**74,041,060,000.00**				**107,382,277,494.44**		**2,759,539,529.33**	**104,355,648.57**	**893,977,136.03**	**211,800,075.70**	**-2,898,738,755.98**	**182,494,271,128.09**	**131,611,111,241.60**	**314,105,382,369.69**

Legal Representative: 李文涛

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥印

Consolidated Statement of Changes in Equity (Continued)

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	Half year of 2019													
	Equity attributable to shareholders of the Company												Non-controlling interetsts	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Subtotal		
		Preferred equtity	Perpetual bonds	Others										
I. Balance at the end of last year	**67,991,060,000.00**				**102,430,652,183.22**		**874,629,175.95**	**38,867,140.80**	**779,268,045.68**	**85,966,956.69**	**2,339,604,519.24**	**174,540,048,021.58**	**118,967,556,725.71**	**293,507,604,747.29**
Add: Changes in accounting policies														
Correction of prior-period errors														
Others														
II. Balance at the beginning of this year	**67,991,060,000.00**				102,430,652,183.22		874,629,175.95	38,867,140.80	779,268,045.68	85,966,956.69	2,339,604,519.24	174,540,048,021.58	118,967,556,725.71	293,507,604,747.29
III. Changes during this period ("-" for decreases)	**4,500,000,000.00**				5,757,376,605.59		340,379,394.30	-21,709,160.81			-1,066,254,470.10	9,509,792,368.98	6,613,524,887.91	16,123,317,256.89
(1) Total comprehensive income							340,379,394.30				-1,066,254,470.10	-725,875,075.80	3,166,390,426.39	2,440,515,350.59
(2) Capital contribution and reduction from shareholders	4,500,000,000.00				5,757,376,605.59							10,257,376,605.59	5,407,007,587.78	15,664,384,193.37
1. Common stock capital contribution from shareholders	4,500,000,000.00				5,741,230,000.00							**10,241,230,000.00**	2,671,627,792.97	12,912,857,792.97
2. Capital contribution from holders of other equity instruments													2,250,000,000.00	2,250,000,000.00
3. Equity increase from share-based payments														
4. Others					16,146,605.59							16,146,605.59	485,379,794.81	501,526,400.40
(3) Special reserves								-21,709,160.81				-21,709,160.81	-41,943,234.95	-63,652,395.76
1. Provision for special reserves								40,160,407.03				40,160,407.03	172,405,511.97	212,565,919.00
2. Utilisation of special reserves								-61,869,567.84				-61,869,567.84	-214,348,746.92	-276,218,314.76
(4) Profit appropriations													-1,917,929,891.31	-1,917,929,891.31
1. Appropriation to surplus reserves														
Including: legal reserves														
other reserves														
reserve fund														
reserve for business development														
profits capitalized on return of investment														
2. Appropriation to general risks provision														
3. Appropriation to shareholders													-556,130,437.10	-556,130,437.10
4. Others													-1,361,799,454.21	-1,361,799,454.21
(5) Transfers within shareholders' equity														
1. Capitalisation of capital reserve														
2. Capitalisation of surplus reserve														
3. Loss offset by surplus reserve														
4. Transfer of defined benefits plan to retained earnings														
5. Other comprehensive income transfer the retained earnings														
6. Others														
IV. Balance at the end of period	**72,491,060,000.00**				**108,188,028,788.81**		**1,215,008,570.25**	**17,157,979.99**	**779,268,045.68**	**85,966,956.69**	**1,273,350,049.14**	**184,049,840,390.56**	**125,581,081,613.62**	**309,630,922,004.18**

Legal Representative: 李文治

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥印

Statement of Changes in Equity of the Company

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	Half year of 2020										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equity	Perpetual bonds	Others							
I. Balance at the end of last year	**74,041,060,000.00**				**48,788,072,465.74**		**12,037,248.16**		**436,006,581.08**	**264,908,086.66**	**123,542,084,381.64**
Add: Changes in accounting policies											
Correction of prior-period errors											
Others											
II. Balance at the beginning of this year	74,041,060,000.00				48,788,072,465.74		12,037,248.16		436,006,581.08	264,908,086.66	123,542,084,381.64
III. Changes during this period ("-" for decreases)					488,228,963.49		13,395,176.60			-522,961,010.04	-21,336,869.95
(1) Total comprehensive income							13,395,176.60			-522,961,010.04	-509,565,833.44
(2) Capital contribution and reduction from shareholders					488,228,963.49						488,228,963.49
1. Common stock capital contribution from shareholders											
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
4. Others					488,228,963.49						488,228,963.49
(3) Special reserves											
1. Provision for special reserves											
2. Utilisation of special reserves											
(4) Profit appropriations											
1. Appropriation to surplus reserves											
Including: legal reserves											
other reserves											
reserve fund											
reserve for business development											
profits capitalized on return of investment											
2. Appropriation to general risks provision											
3. Appropriation to shareholders											
(5) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Transfer of defined benefits plan to retained earnings											
5. Other comprehensive income transfer the retained earnings											
6. Others											
IV. Balance at the end of period	**74,041,060,000.00**				**49,276,301,429.23**		**25,432,424.76**		**436,006,581.08**	**-258,052,923.38**	**123,520,747,511.69**

Legal Representative: 李文涛

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥

Statement of Changes in Equity of the Company (Continued)

From January 1, 2020 to June 30, 2020

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Half year of 2019										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equtity	Perpetual bonds	Others							
I. Balance at the end of last year	67,991,060,000.00				52,148,601,217.36		47,866,690.49		321,297,490.73	199,047,273.51	120,707,872,672.09
Add: Changes in accounting policies											
Correction of prior-period errors											
Others											
II. Balance at the beginning of this year	67,991,060,000.00				52,148,601,217.36		47,866,690.49		321,297,490.73	199,047,273.51	120,707,872,672.09
III. Changes during this period ("-" for decreases)	4,500,000,000.00				5,741,230,000.00		25,372,912.50			13,677,151.92	10,280,280,064.42
(1) Total comprehensive income							25,372,912.50			13,677,151.92	39,050,064.42
(2) Capital contribution and reduction from shareholders	4,500,000,000.00				5,741,230,000.00						10,241,230,000.00
1. Common stock capital contribution from shareholders	4,500,000,000.00				5,741,230,000.00						10,241,230,000.00
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
(3) Special reserves											
1. Provision for special reserves											
2. Utilisation of special reserves											
(4) Profit appropriations											
1. Appropriation to surplus reserves											
Including: legal reserves											
other reserves											
reserve fund											
reserve for business development											
profits capitalized on return of investment											
2. Appropriation to general risks provision											
3. Appropriation to shareholders											
4. Others											
(5) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Transfer of defined benefits plan to retained earnings											
5. Other comprehensive income transfer the retained earnings											
6. Others											
IV. Balance at the end of year	**72,491,060,000.00**				**57,889,831,217.36**		**73,239,602.99**		**321,297,490.73**	**212,724,425.43**	**130,988,152,736.51**

Legal Representative: 李之洪

Chief Financial Officer: 曹琴建

Head of Accounting Department: 宋贵祥印

I. GENERAL INFORMATION

1. Registered address, organization form and headquarter address

Sichuan Development Holding Co., Ltd (hereinafter referred to as the ‘‘Company’’ or as the ‘‘Group’’ while including its subsidiaries) is a wholly stated-owned company which was incorporated in accordance with *the Notice of Sichuan Provincial People's Government Concerning the Incorporation of Sichuan Development Holding Co., Ltd* (Chuan Fu Han [2008] No. 330). The Company obtained unified social credit code (NO. 915100006823936567) issued by Sichuan Provincial Administration for Industry and Commerce on November 29, 2017. The Company's investor is Sichuan Provincial People's Government and is represented by the State-Owned Assets Supervision and Administration Commission of Sichuan Province(hereinafter referred to as SASAC of Sichuan Province) in performing duties of the investor. The Company's registered capital is RMB 80 billion, and the initial contribution is RMB 40 billion. According to the Chuan Fu Han [2008] No. 330 document, the initial contribution of RMB 40 billion consisted of net assets corresponding to the equities of such 21 entities as Sichuan Changjiang Group Corp, Chengdu Branch of China National Nonferrous Metal Industry Group, Sichuan Non-Ferrous Metallurgy Research Co., Ltd., Sichuan Foreign Trade Group Co., Ltd., Sichuan State-Owned Assets Investment Administrator Co., Ltd., Sichuan Railway Group Company Limited., Sichuan Road & Bridge Group Co., Ltd., Sichuan Hydropower Investment & Management Group Ltd., Sichuan Jinjiang Hotel, Sichuan Ethical Economy Development Corporation, Sichuan Airlines Group Co.,Ltd, Sichuan China International Travel Service, Sichuan Medicine Group Co., Ltd., Sichuan Xinhua Publishing Group Co., Ltd., Sichuan Salt Company, Sichuan Chengdu Integrated Timber Plant, Sichuan Publishing Group Co.,Ltd, Sichuan Port and Channel Development Co., Ltd., Sichuan Expressway Construction Development Corporation, Sichuan Jinhong Group Co., Ltd. and Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd. transferred by the ministries and commissions of Sichuan Province and the monetary fund of RMB 450 million allocated by the Department of Finance of Sichuan Province. The initial contribution of the Company was verified by Sichuan Huaheng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2009) No. 2 capital verification report.

In 2009, the capital contribution of the second installment of the Company was paid, with the paid-up capital increased by RMB 4,108,900,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 03 capital verification report..

In 2010, the capital contribution of third installment of the Company was paid, with the paid-up capital increased by RMB 2,135,100,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 10 capital verification report.

In 2012, the capital contribution of fourth installment of the Company was paid, with the paid-up capital increased by RMB 202,200,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2012) No. 24 capital verification report.

In 2013, the capital contribution of fifth installment of the Company was paid, with the paid-up capital increased by RMB 5,501,190,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2014) No. 06 capital verification report.

In 2013, according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd (Chuan Cai Jian [2013] No. 365), the company is appropriated RMB 500,000,000 of capital by Department of Finance of Sichuan Province. According to the 2012 Notice Concerning the Conveyance of operating budget of state own equity at province level (Chuan Cai Qi [2012] No. 18), the company is appropriated operating budgeted financial injection of RMB 117,070,000 for state own equity by Department of Finance of Sichuan Province.

In 2014, according to Notice Concerning the Conveyance of 2014 operating expenditure budget of state own equity (Chuan Guo Zi Budget [2014], No. 6), the Company is appropriated RMB 58,100,000 by Department of Finance of Sichuan Province.

In 2015, according to the Notice of Capital Contribution of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2015] No.2), issued by Department of Finance of Sichuan, the Company received the project funds of RMB 1,000,000,000.00 from Department of Finance of Sichuan. According to the Notice of Capital Contribution of Provincial Railway Investment Group (Chuan Cai Qi [2015] No.99), the Company received project funds of RMB 2,230,000,000.00 from Department of Finance of Sichuan. Pursuant to the requirement that the capital shall be paid in full in (2017) No 7 and (2012) No 38 Special Minutes of meetings, the capital transferred from special payables totaling RMB 2,951.00 million.

In 2016, according to the Notice of Registered Capital of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2016] No.42) issued by Sichuan Finance Department, the Company received the capital fund which was appropriated by Sichuan Finance Department. The Company received project capital fund of RMB 1,000,000,000.00 from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2016 (Chuan Cai Tou [2016] No.17) and (Chuan Cai Tou [2016] No.127). According to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2016 (Chuan Cai Jian(2016) No.33), the Company received capital fund RMB of 400,000,000.00 from Sichuan Finance Department. According to the Notice of Capital of Sichuan Development Holding Co., Ltd （Chuan CaiQi [2016] No. 63）, the Company received capital RMB 4,600,000,000.00.

In 2017, according to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2017 (Chuan Cai Jian(2017) No.22) the Company received capital fund RMB 500,000,000.00 from Sichuan Finance Department. The Company received project capital fund RMB 1,000,000,000.00 from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2017 (Chuan Cai Tou [2017] No.37). According to the Notice of Sichuan Finance Department on Appropriating Supplemental Capital to Provincial SOE (Chuan Cai Qi [2017] No.61), the Company received capital fund of RMB 502,000,000.00. According to the Notice of Sichuan Finance Department on Recovering Part of Industrial Development Supporting capital (Chuan CaiJian [2017] No.164), the Company refund part of the special fund of RMB 49,500,000.00. The fund has been verified by capital verification report in 2013, therefore, the paid-up capital has been written down of RMB 49,500,000.00 in 2017.

Pursuant to the Notice of Appropriating Supplementary Capital to Provincial Stated-owned Enterprises issued by Sichuan MOF in 2018 (Chuancaiqi [2018] No 75), the Company received RMB 235 million enterprise capital appropriating from Sichuan MOF.

Pursuant to the Notice On Issuing Special Funds For Railway Construction in 2019 (Chuancaiqi [2019] No 25, Chuancaiqi [2019] No 35, Chuancaiqi [2019] No 113) issued by Sichuan MOF, the Company received project capital fund amounted to RMB 4.5 billion. Pursuant to the Notice on Issuing the Capital Construction Expenditure Budget Within The Provincial Budget in 2019 (Chuancaiqi [2019] No 29) issued by Sichuan MOF, the Company received capital funds totaling RMB 1.5 billion. Pursuant to the Notice on Appropriation of Capital to Supplement the Paid-up Capital of Provincial Stated-Owned Enterprises issued by Sichuan MOF Chuancaiqi [2019] No 24, the Company received capital funds totaling RMB 50 million.

As of June 30, 2020, the Company's paid-up capital was RMB 74,041,060,000.00

The Company's registered address: No. 12, Jiuxing Avenue, Gaoxin District, Chengdu; its legal representative: Li WenQing.

2. Operation nature and main operation activities of the Company

The scope of business of the Company: investment, financing and assets operation and management. Priorities of investment: transportation, energy, water, travel, agriculture, development of advantageous resources, environmental protection and other areas authorized by the provincial government. (The above projects do not include pre-licensing program, post licensing program relied on license or approval documents).

3. Parent company and functional departments set up by Group headquarters

The Company's investor is people's Government of Sichuan Province. The Company established board of directors, board of supervisors, and other administration committees. There are three special committees under the board, the remuneration and appraisal committee, the strategy and project advisory committee and the risk control committee. The Company has such functional departments as the Party and mass department, disciplinary inspection and supervision department, integrated management department, board of directors office, Party Committee organization department, financial department, the human resources department, the risk control department, compliance department, enterprise management department, the financing management department, the asset management department, the fund operating department, the investment promoting department, investment management department, and capital operation department.

The Group's main operating activities are: investment and financing, operation and construction of transportation facilities, trade, media and culture, generate and supply of electricity and others.

4. Financial Report approval

The Group's Financial Reports are approved by Company's board of directors on September 30, 2020.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Acting as a platform of investment and financing of Sichuan People's Government, the Company owns 100% equities of 21 state owned entities (after consolidated and transferred by SASAC of Sichuan Province, the number has reduced to 12 owned entities as of June 30, 2020). In accordance with the provisions of Chuan Fu Han [2008] No. 330 document and the Interim Measures of Sichuan Province for the Administration of Provincial-level Industry Investment Companies (Chuan Ban Fa [2008] No. 53),and Reply of Reorganizing Sichuan Development Holding Co., Ltd to State-owned Capital Operating Company by Government of Sichuan Province (Chuan Fu Han [2014] No.110),the Company manages the foregoing 21 entities and newly-established professional industry investment companies. To sufficiently reflect the financial positions, operating results and cash flow positions of the Group as the platform of investment and financing, and to benefit any users of the consolidated financial statements to make judgment on its overall financial conditions and profitability, the Group has included all of the foregoing entities in to the consolidation scope.

2. As mentioned in Note XIII-Other Significant Events (1), the roads of which its loans are repaid by the government (hereinafter referred to as government-loan road) built by Sichuan Expressway Construction and Development Corporation (hereinafter refers to as Sichuan Expressway Company), a subsidiary company of Sichuan transportation Investment Group Co., Ltd (hereinafter refers to as Sichuan transportation), were came into use from 2012. In 2013, in accordance with the spirit of the Toll Highway Administration Regulation and considering the management characteristics of the government-loan road, and with reference to the government-loan management mode of similar companies in other provinces, Sichuan Expressway Company's board of directors made a decision and filed the decision with SASAC of

Sichuan Province that government-loan road for operating use shall not accumulate any depreciation. And the toll revenue shall be classified as operating revenue. These assets have a value of 133.401 billion as at the year ended June 30, 2020. The Financial Reports of Sichuan Expressway Company from 2014 to 2019 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants (appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. Sichuan Expressway Company is one of the 21 subsidiaries mentioned above, and was merged into Sichuan transportation, and became a subsidiary of Sichuan transportation. The consolidated report of the Group is prepared based on the Financial Report of Sichuan transportation and no adjustments were made.

3. As mentioned in Note XIII-Other Significant Events (2), when Sichuan Railway Investment Group Co., Ltd (hereinafter refers to as Railway Investment Group) prepared the Financial Report of 2015, Railway Investment Group recognized escrowed assets of RMB 29.172 billion and classified as Other Non-current Assets on the financial statements. These escrowed assets include: constructions in process of Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway, long-term equity investments of Chenglan Railway, Chengyu Special Railway, Chengmianle Railway, financial assets available-for-sale of Chengkun Railway, Chenggui Railway, Xicheng Special Railway, Bada Railway, Chengya Railway and Lanyu Railway. As at June 30, 2020, the value of escrowed assets has increased to RMB 56.273 billion. BDO China Shu Lun Pan CPAs (appointed by State-Owned Assets Supervision and Administration Commission of Sichuan Province) Zhong Hui, Da Hua CPAs, and Xigema CPAs audited Railway Investment Group's Financial Reports of 2015-2019 and issued unqualified Financial Reports respectively. Railway Investment Group is one of the 21 entities mentioned above. The consolidated report of the Group is prepared based on the Financial Report of Railway Investment Group and no adjustments were made.

4. The Consolidated Financial Statements of the Group are prepared on the basis of continuous operation. The Group prepared the Consolidated Financial Statements based on the financial statements of its subsidiary companies. If there are matters in relation to correction of previous years accounting errors for the consolidated entities, the Group will evaluate the impact of those matters and make adjustments to the matters which would significantly influence the Groups' financials except the matters mentioned in the above II.(1),II.(2) and II(3).

Based on the principals mentioned above, the Group prepares the Financial Statements in accordance with Note III ''Principal accounting policies and accounting estimates'' and Note III (5)2 "Consolidated Financial Statement Preparation Standard, Procedure and Methodology".

III. CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Financial period

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

2. Functional currency

The Functional currency of the Group is RMB.

3. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets held for trading and available-for-sale financial assets which are measured at fair value, the financial statements are prepared under the historical cost.

4. Consolidation

As the consolidated party, the Group, on the consolidated date, accounts assets and liabilities from business combination under the same control as booked value on the consolidated financial statement. The difference between net assets acquired and the consideration is adjusted as capital reserve. Any addition exceed capital reserve is adjusted in retained earnings.

For a business combination for entities not under common control, acquired assets, liabilities and potential liabilities are accounted using fair value on acquisition date. Consolidated costs are the sum of cash consideration, non-cash asset, issued or guaranteed liabilities, issued equity, and any directly related expenditure for consolidation (for consolidation with multiple transactions by step, the consolidated costs are the sum of costs of all single transactions). When consolidated costs are higher than the acquired net assets, the difference is considered as Goodwill. When consolidated costs are lower than the acquired net assets, fair values of all acquired assets, liabilities and potential liabilities, and fair values of any non-cash assets or issued equity are double checked. After checked, if the consolidated costs are still lower than the acquired net asset, the difference is accounted as non-operating income.

5. Preparation of consolidated financial statements

(1) Scope of consolidation

The Group includes all controlling subsidiaries and structural entities into the scope of consolidated financial statements.

(2) Consolidated financial statements preparation standard, procedure and methodology

All-important internal transactions, internal balances, and unrealized gain are net off when preparing consolidated financial statements. Equity not belongs to parent company and net gain/loss for current period, minority interest of other comprehensive income and comprehensive income of subsidiaries are shown as "minority interest, minority interest, and other comprehensive income and comprehensive income belongs to minority owners" in consolidated financial statement.

For subsidiaries under common control, the operating results and cash flow are captured in consolidated statements from acquisition date. When preparing consolidated statements comparison, related items in

prior year financial statement are adjusted as treating the consolidation existed since controlled by the ultimate controller.

When obtains invested party's shares under common control through multiple transactions and finally form consolidation, the control party is treated as current existed status from the date of control to adjust consolidated financial statements. When preparing statements comparison, restricted by the time the Group and consolidated party are under control of final control party, all related assets, liabilities are accounted in consolidated financial statement comparisons. And the additional net assets from consolidation are adjusted through related items under shareholders' equity. To avoid double accounted of net assets by consolidated party, any long term equity investment by the Group before consolidation, and a any confirmed related profit/loss between date of obtaining original shares and consolidated date, and other comprehensive income and other net asset movement should be reduced in brought forward retained earnings and profit and loss in current period in the comparison statements.

When consolidates and obtains subsidiaries not under common control, the Group includes the operating results and cash flow in consolidated statements from the date of obtaining control. All recognizable assets, liabilities or potential liabilities are adjusted to fair values based on subsidiaries' financial statement on the acquisition date when preparing consolidated financial statements.

When obtain invested party's share not under common control through multiple transactions and finally form consolidation, shares acquired before acquisition date are revalued by the fair value as on the acquisition date. Difference between fair value and book value is accounted in investment profit/loss in that period. Any related other comprehensive income and net profit and loss, any changes of shareholders' interest for acquired shares before acquisition date are all transferred as investment profit/loss in the acquisition period, except for other comprehensive income from revaluation of movement of net assets or net liabilities for benefit plan.

When the Group disposes part of the subsidiaries' share without losing control, the difference between disposed price and disposed long term equity investment related net assets from consolidated date is adjusted in capital premium or stock premium. When there is not enough capital reserve to reduce, retained earnings are adjusted.

When the Group disposes part of the subsidiaries' shares and losses control of invested party, when preparing consolidated financial statements, the remaining shares are revalued as the fair value at the date of losing control. The sum of disposed share prices and the fair value of remaining shares minus the proportion of net assets that acquired from consolidated date are accounted as investment profit/loss for period of losing control. In the same period, goodwill is reduced. On the period that loss control, all related other comprehensive income are transferred as investment profit/loss for that period.

When the Group disposes subsidiaries' shares till losing control through multiple transactions, and

disposal transactions belong to package transaction, all transactions are treated and accounted for a package deal. However, before the Group losses control, difference between each disposal price and the corresponding share of net asset should be recognized as other comprehensive income in consolidated financial statement, and then the difference should be.

6. Joint arrangements classification and Joint Operations accounting methodology

The Group's joint arrangements include joint operations and joint ventures. For joint operations, the Group, as a party of joint operation, recognized its share of assets and liabilities independently, recognized the assets and liabilities according to the shares, and recognized the revenue and expenses according to the relative arrangements or the shares. For acquisition and sale that not as part of operating asset transactions with joint operation, only gain/loss belongs to other party of joint operation should be recognized.

7. Standards for recognition of cash and cash equivalents

Cash on the cash flow of the Group refers to the cash and deposits which are available for payment at any time; the cash equivalents on the cash flow refers to the highly liquid investment that matured within 3 months, can be readily convertible to known amount of cash, and which are subject to an insignificant risk of change in value.

8. Foreign currency and translation of foreign currency statement

(1) Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalization. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into RMB at the rates prevailing on the date when the fair value was determined. Translation differences arising thereon are directly expensed as the change in fair value in the profit and loss for the current period. Nonmonetary items denominated in foreign currency measured at historical cost shall continue to be translated at the spot exchange rate at the date of transaction, and the translated amount in RMB should not be changed.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in foreign currency balance sheets are translated at the spot exchange rate of the balance sheet date; items of owners' equity, except for ''retained profits'', are translated at the spot exchange rate of the date of transaction; Items of revenues and expenses in profit statements are translated at the spot exchange rate of the date of transaction. Translation differences of foreign currency statements arising from the foregoing translations are separately presented under other comprehensive income in the

owners' equity. Foreign currency cash flows are translated at the spot exchange rate of the date of cash flow. Amounts of cash affected by fluctuations in exchange rates are separately presented in the statements of cash flow.

9. Customers' funds for transaction settlement

Customers' funds for transaction settlement received by the Group are placed in the special account with the depository bank and subject to separate management from equity funds. Amounts from clearing and settlement of funds for securities transactions of proxy customers are placed in the clearing agency designated for the transactions and subject to accounting in the provision for settlement. The Company recognizes the amount for trading in securities by proxy customers as assets and liabilities when such amount was received. Brokerage, securities management fee, securities settlement risk fund and other relevant charges paid in accordance with regulations are recognized as commission expenses when clearing is carried out with the clearing agency in respect of amount for trading in securities by proxy customers of the Company. Commissions collected from customers according to regulations are recognized as commission revenue when clearing of amount for trading in securities is carried out with customers.

10. Financial assets and financial liabilities

The Group's listed companies have implemented the new financial instrument standards since January 1, 2019, while other companies have not yet implemented.

The following are applied to old financial instruments

(1) Financial assets

The Group recognizes its financial assets or financial liabilities when the Group becomes one party of a financial instrument contract.

① Classification and measurement of financial assets

Financial assets of the Group are classified as financial assets at fair value through profit or loss for the current period, held-to-maturity investments, loans and receivables, and available-for-sale financial assets according to the purposes of investments and the economic substance of the assets.

Financial assets accounted using fair value, whose movement is accounted in profit and loss accounts include trading financial assets and financial assets which determined using fair value from recognized, whose movement is accounted in profit and loss account. The Group classifies financial assets as trading financial assets according to one of the following criteria: purpose for obtaining this financial asset is for short term sale; financial asset belongs to part of the recognizable financial vehicle combination which is centrally managed while there is objective evidence showing the company is to manage the combination

using short term beneficial method; financial assets belong to derivative vehicle except for effective hedging instrument derivative vehicle, financial guarantee contract derivative vehicle, and derivative vehicles that related to equity vehicle investment without quoted price on active market or without reliable fair value. The Group only uses fair value to account when financial assets were first recognized and account movement into profit and loss account when one of the following criteria is met: the criteria can eliminate or reduce the situation when recognizing or measuring the financial instruments are different due to the related income or loss resulting from difference measurement basis; the official written documents of company's risk management or investment strategy have stated that the financial instrument combination is managed and measured at fair value, and is reported to key management personnel; for the hybrid instruments with one or more imbedded derivatives, unless the imbedded derivatives do not have significant influence on the cash flows of the hybrid instrument, or the imbedded derivatives obviously should not be separated from the hybrid instrument; including hybrid instrument with imbedded derivatives which are needed to be separated, but cannot be measured separately on the acquisition date or subsequent balance sheet dates.

Held to maturity investment are non-derivative financial asset with fixed maturity and fixed or determinable recovery amounts that management intends and is able to hold to maturity. Held to maturity investments are accounted using actual interest rates, and accounted based on the remaining amortized costs. The amortization, impairment, and any profit/loss from termination are accounted in profit and loss account in current period.

Receivable means non-derivative financial assets with fixed or confirmable receivable amount that have no quoted prices in active market. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized balance, impairment, and profit/loss from termination are accounted in profit and loss in current period.

Financial assets held for sale means non-derivative financial assets and financial assets that have not classified as other class that refer as held for sale when first recognized. For these assets, when there is no quoted price in active market and the fair value cannot be reliably measured, historical costs method is used for subsequent account. For other assets with quoted price in active market or have reliable measured fair value, fair value method is used for accounting. The movement of fair value is accounted in other comprehensive income. Other than impairment losses and the gain or loss on exchange arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. When such financial assets are derecognized, the accumulated amounts of changes in fair value originally recorded in equity are recorded in the profit or loss for the current period. Interests calculated on available-for-sale debt instruments using the effective interest method for the period in which the instruments are held and cash dividends which have been declared by the invested entity in relation to available-for-sale equity instruments are recognized in the profit or loss

for the current period as investment income. For those investment without active markets and the fair value is impossible to be measured, historical cost is used as accounted value.

②Recognition and measurement of financial assets

A financial asset meeting any one of the following conditions is derecognized: (1) the contractual right to receive the cash flow of such financial asset terminates; (2) such financial asset has been transferred and the Group has transferred almost all risks and rewards on the ownership of such financial asset to the transferee; (3) such financial asset has been transferred and the Group waived the control over such financial asset though it did not transfer or reserve almost all risks and remunerations on the ownership of such financial asset.

If the entity does not transfer or reserve almost all risks and remunerations on the ownership of a financial asset nor waive the control over such financial asset, relevant financial asset is recognized according to the degree of its continuous involvement in the financial asset transferred and relevant liabilities are recognized accordingly.

If the overall transfer of a financial asset meets the conditions for derecognition, the difference between the carrying value of the financial asset transferred and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income is recorded in the profit or loss for the current period.

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying value of the financial asset transferred is amortized at respective relative fair value between the part derecognized and the part not derecognized, and the difference between the foregoing carrying amount amortized and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income which should be amortized to the part derecognized is recorded in the profit or loss for the current period.

③Impairment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Group assesses the carrying amount of financial assets at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

④When there is a significant or prolonged decline in fair value of available-for-sale financial assets, accumulated loss in fair value that previously recorded in shareholder's equity due to the decline in fair value should be recorded as impairment loss. In respect of available-for-sale debt instruments for which impairment loss has been recognized, if the fair value rises after the end of the period and such rise is objectively related to the matters occurring after the recognition of original impairment loss, impairment loss previously recognized should be written back and recorded in the profit or loss for the current period.

Rise in fair value of available-for-sale equity instruments for which impairment loss has been recognized after the end of the period is directly recorded in shareholders' equity.

(2) Financial liabilities

① Classification and measurement of financial liabilities

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and those designated at fair value through profit or loss for the current period on initial recognition. They are subsequently measured at fair value. The gain or loss on changes in fair value, and dividends and interest expense in relation to such financial liabilities are charged to the profit or loss for the current period as incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. If there is an active market for a financial instrument, its fair value is determined using the market price in such active market. In the active market, financial assets already held or financial liabilities to be assumed by the Group take the current bid price as the fair value of corresponding assets or liabilities; financial assets to be purchased or financial liabilities already assumed by the Group take the current offering price as the fair value of corresponding assets or liabilities. If a financial asset or financial liability has no current bid price or offering price, but no significant change happens to the economic environment after the last date of transaction, the fair value of such financial asset or financial liability is determined using the market price of the last transaction. When the economic environment changes significantly after the last date of transaction, the market price of the last transaction is adjusted with reference to the current price or interest rate of similar financial assets or financial liabilities so as to determine the fair value of such financial asset or financial liability. If the Group has sufficient evidence indicating that the market price of the last transaction is not the fair value, appropriate adjustment is made to the market price of the last transaction so as to determine the fair value of such financial asset or financial liability.

② Derecognizing financial liabilities

A financial liability is derecognized or partially derecognized when the underlying present obligations (or part of it) are discharged. When the company enters into an agreement with the creditor to replacing the existing financial liability with a new one, and the terms of the new financial liability is substantially different from that of the existing one, derecognizing the existing financial liability and recognizing the new one. When the company substantially amends the all or part of the terms of existing financial liability, it derecognises the all or part of the existing financial liability and recognizing the amended financial liability as a new one. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the profit or loss for the current period.

(3) Method of determining the fair value of financial assets and financial liabilities

The Group mainly uses market value to measure fair value of financial assets and liabilities. For those without any primary market, the Group uses the most favorable market value to measure the fair value of financial assets and liabilities, and uses the most appropriate and sufficient available data and other information to support the estimation. There are three levels of estimation of fair value. The first level balance is the unadjusted quoted price for similar assets and liabilities from active market. The second level balance is the direct or indirect observable value for related assets or liabilities besides from level 1. The third level balance is the unobservable value for related assets or liabilities. The Group priority uses the first level and finally uses the third level. The hierarchy of the measurement of the fair value is determined by the lowest level of information inputs.

The following are applied to the new financial instruments

(1) Financial assets

① Classification, recognition and measurement of financial assets

Based on the business model for financial asset management and the contractual cash flow characteristics of financial assets, the Group classifies the financial assets as: (1) financial assets measured at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The Group classifies financial assets that satisfy the following conditions as financial assets measured at amortized cost: 1. The Group's business model for financial asset management aims to receive contractual cash flows. 2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. The amortized cost is used for subsequent measurement. The interest income of such financial assets is recognized using the effective interest method. Except for those items designated as hedged items, the difference between the initial amount and the due amount is amortized according to the effective interest rate method.

The Group classifies financial assets that satisfy the following conditions as financial assets measured at measured at fair value through other comprehensive income: 1. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, in addition to credit impairment losses

or gains, exchange gains and losses and the interest on the financial assets calculated according to the actual interest rate method, other gains or losses incurred are included in other comprehensive income. When financial assets are derecognized, the cumulative gains or losses previously included in other comprehensive income should be transferred out of other comprehensive income and included in the current profit and loss.

The Group recognizes interest income in accordance with the effective interest rate method. Interest income is calculated and determined based on the financial asset book balance multiplied by the he effective interest rate, except for the following:

a) For a financial asset acquired or generated with credit impairment, the interest income is calculated and determined according to the amortized cost of the financial asset and the credit-adjusted actual interest rate from the initial recognition.

b) For a financial asset acquired or generated without credit impairment, but which becomes a credit impairment in the subsequent period, the interest income of the financial asset shall be determined according to the amortized cost and the actual interest rate of the financial asset in the subsequent period.

The Group's investment in equity instrument held for non-trading purpose has been designated as financial asset at fair value through other comprehensive income. That classification shall be applied retrospectively. After the Group's investment in equity instrument held for non-trading purpose has been designated as financial asset at fair value through other comprehensive income, the economic benefits related to dividend income are recognized and accounted in the profit and loss of the current period and the changes in fair value of such financial asset will be recognized in other comprehensive income. When derecognition, the amount that had been recognized directly in other comprehensive income, is recognized in retained earnings.

Financial instruments not classified as financial assets measured at amortized cost or at fair value through other comprehensive income are presented as financial assets at fair value through profit or loss by the Group. For such financial instruments measured at fair value, the changes in fair value will be recognized in profit or loss in the current period. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. For such financial instruments measured at fair value, the changes in fair value will be recognized in profit or loss in the current period.

contingent consideration recognized by an acquirer in a business combination not under common control shall recognize as financial assets at fair value through profit or loss.

② Recognition and measurement of transfer of financial asset

The Group shall derecognize a financial asset when one of following criteria is met:

a) the contractual rights to the cash flows from the financial asset expire, or

b) it transfers the almost all risks and awards of ownership of the financial asset, or

c) the financial assets has been transferred, the Group neither transfers or retains almost all risks and awards of ownership of the financial asset nor retains the control of the financial assets.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income shall be included in the profit and loss of the current period.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period.

(2) Financial liabilities

① Classification, recognition and measurement of financial assets

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose and financial liabilities designated as measured at fair value through profit and loss of the current period. Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arising from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

Other financial liabilities measured at effective interest rate method and subsequently measured at amortized cost. Except for the following conditions, the Group classifies financial liabilities as those measured at amortized cost:

a) Financial liabilities measured at fair value through profit or loss, including those held for trading (containing derivatives) and financial liabilities designated as those measured at fair value through profit or loss with changes of fair values recorded to the current profit or loss.

b) Financial liabilities that do not meet the derecognition criteria of financial assets or arisen from continuing to be involved in the financial assets transferred.

c) Financial guarantee contracts that do not belong to a) or b) and loan commitments with lower than market loan rate that do not belong to a).

The Group recognize the financial liabilities arising from the contingent consideration by the acquirer in the business combination not under common control as financial liabilities measured at fair value with changes through profit or loss.

② Derecognition requirements for financial liabilities

When all or part of the current obligation of a financial liability has been discharged, the part of the financial liability or obligation that has been discharged shall be derecognized. The Group and the creditors signed an agreement to replace the existing financial liabilities by taking on new financial liabilities mentioning that if the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities shall be derecognized and in the meantime the new financial liabilities shall be recognized. If the Group makes substantial changes to all or part of the contractual terms of the existing financial liabilities, it will derecognize the existing financial liabilities fully or partially, and at the same time recognize the financial liabilities with the revised terms as a new financial liability. The difference between the book value of the derecognized part and the consideration paid is included in the current profit and loss.

(3) Approaches for recognizing the fair value of financial assets and financial liabilities

Where there is an active trading market, the fair value of the financial assets and financial liabilities is determined by reference to the quoted price in the active trading market by the Group. Where there is no active trading market for the financial instruments, the fair value of such financial instruments is determined at the most favorable market price, and using valuation techniques that are applicable at the time and are supported by sufficient data and other information. The input value used in fair value measurement is divided into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within level that are observable for the asset or liability, either directly or indirectly and level 3 inputs are unobservable inputs for the asset or liability. The Group gives

the most priority to the use of level 1 inputs and the last priority to the use of level 3 inputs. The level of the measurement result of fair value is determined by the lowest level of the input value that is of great significance to the whole measurement of fair value.

The Group's investment in equity instruments is measured at fair value. However, in limited circumstances, considering that the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, if the cost represents the best estimate of fair value within this range, then the cost can be used to represent its appropriate estimates of fair value within this distribution.

(4) Offset between financial assets and financial liabilities

Financial assets and financial liabilities of the Group shall be listed on the balance sheet separately that cannot offset each other. However, if the following conditions are met, financial assets and financial liabilities can be offset and listed in the balance sheet with the net amounts:

1) The Group has the legal rights to offset the amounts recognized and such rights are currently enforceable.

2) The Group plans to settle on a net basis, or realize the financial assets and liquidate the financial liabilities at the same time.

(5) The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes between financial liabilities and equity instruments according to the following principles:

1) If the Group cannot unconditionally avoid delivering cash or other financial assets to fulfill a contractual obligation, the contractual obligation meets the definition of financial liability. Although some financial instruments do not explicitly contain the terms and conditions of the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions.

2) If a financial instrument needs to be settled with or the Group's own equity instruments can be used, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are utilized as a substitute for cash or other financial assets or to make the instrument holder enjoy the remaining equity in the assets of the issuer after deducting all liabilities. If it is the former, the instrument is recognized as a financial liability. If it is the latter, the instrument is recognized as an equity instrument. In some cases, a financial instrument contract stipulates that the Group must use or can use its own equity instruments to settle the financial instrument. If the amount of contract rights or contract obligations is

equal to the number of own equity instruments available or to be delivered, multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, whether the amount mentioned above is fixed or based entirely or partly on changes in variables other than the market price of the Group's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument).

When the Group classifies financial instruments (or its components) in the consolidated statements, it considers all the terms and conditions reached between the group members and the financial instrument holders. If the entire Group assumes the obligation to deliver cash, other financial assets, or other means of settlement as a financial liability due to the instrument, the instrument should be classified as a financial liability.

If a financial instrument or its component is a financial liability, the relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are included in the current profit and loss.

If a financial instrument or its component part is an equity instrument, the Group treats it as a change in equity when issuing (including refinancing), repurchasing, selling, or canceling, and does not recognize the change in the fair value of equity instruments.

11. Provision for bad debts for receivables

(1). The provisions for bad debts for receivables without adopting new financial instrument standards

Criteria for provision for bad debts: The Group provides provisions for bad debts on receivables when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended their businesses due to natural disaster and unable to settle the debts in the foreseeable period; or the receivables are defaulted for more than 3 years; or when there is objective evidence indicating that the debts cannot be recovered or are not likely to be recovered.

Potential loss on bad debts is provided for using allowance account method. At the end of the period, receivables are tested for impairment on individual or combination basis and the provisions for bad debts are recognized in the profit or loss for the current period. When there is objective evidence indicating that the receivables cannot be collected, such receivables are written off against the provisions for bad debts as losses on bad debts after granting of approval by the Group according to the required procedures.

1) Receivables that are individually significant and are provided for bad debts on individual basis

Judgment basis or amount standard for individually significant receivables	Receivables of more than RMB100 million are regarded as individually significant receivables
Method for making provision for bad debts for	Provisions for bad debts are made for the excess of the

individually significant receivables for which provision for bad debts is made individually	carrying amount over the present value of the future cash flows

2) Receivables provided for bad debts on combination basis

Proportion of provisions for bad debts on receivables by aging analysis basis adopted by the Group is as

Basis for determining combinations	
Receivable vehicle toll combination	Determine by nature of the receivables
Receivable construction in-progress deposit combination	Determine by nature of the receivables
Receivable entrusted loan and interest combination	Determine by nature of the receivables
Aging combination	Determine the credit risk characteristics by age of the receivables
Receivable related party combination	Determine by the relationships of receivables with the parties to transaction
Provision combination	Determine by nature of the receivables
Methods for making provision for bad debts by combination	
Receivable toll combination	No provision for bad debts is made
Receivable construction in-progress deposit combination	No provision for bad debts is made
Receivable entrusted loan and interest combination	No provision for bad debts is made
Aging combination	Aging analysis
Receivable related party combination	No provision for bad debts is made in general. Provision for impairment is made using specific identification method in case of existence of impairment risk
Provision combination	No provision for bad debts is made

follows:

Age	Proportion to accounts receivable (%)	Proportion to other receivables (%)
Within 1 year	1-5	1-5
1-2 years	10-20	10-20
2-3 years	20-30	20-30
3-4 years	40-50	40-50
4-5 years	60-70	60-70
Over 5 years	80-100	80-100

Energy Investment Group，Railway Investment Group, Communication Investment Group made no provisions for the receivables within 6 months.

3) Receivables that are individually insignificant but are provided for bad debts on individual basis

Cause for making provision for	Receivables which of the amount are individually insignificant and the credit risk

bad debts individually	characteristics of provision made cannot be reflected on combination basis.
Method for making provision for bad debts	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

2. The provisions for bad debts for receivables adopting new financial instrument standards

For accounts receivable formed by the transactions regulated by *Accounting Standards for Business Enterprises No. 14-Revenue Standards* and not containing significant financing components, the Group always makes provision for credit loss equivalent to the expected credit losses for the entire duration.

For the provisions for bad debts for receivables, whether the credit risks have increased significantly, the Group makes provision for credit losses according to expected credit losses equivalent to the amounts within the entire duration.

12. Inventories

Inventories of the Group mainly include raw materials, self-made semi-finished products and products in process, merchandise inventory, revolving materials, engineering construction, developed products and low-value consumables.

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. The publishing industry adopts single-book accounting and specific valuation method for book-keeping; the hotel industry adopts first-in first-out method for accounting.

At the end of the period, inventories are stated at the lower of costs and net realizable value. Where the inventories are not expected to be recoverable as they become damaged, partially or wholly obsolete or whose selling price is well below its cost, provisions for inventory impairment are made for the excess of its cost over its net realizable value. Provisions for inventory impairment are made for merchandise inventory and bulk raw materials according to the excess of the cost of single inventory item over its net realizable value; provisions for inventory impairment are made for other raw and auxiliary materials of large quantity and low unit price according to categories.

Net realizable value of such available-for-sale goods inventory as merchandise inventory, products in process and available-for-sale materials is determined by the estimated selling price less estimated selling expenses and related taxes. Net realizable value of material inventory held for production is determined by the estimated selling price of finished products less estimated cost incurred upon completion, estimated selling expenses and related taxes.

13. Long-term equity investment

(1) Determination of control, joint control and significant influence of invested company

The Group's Long-term equity investments mainly include equity investments held by the Group in the invested company over which the Group has control, joint control or significant influence and equity investments in its operating activities.

"Control" means the Group has the right to participate related activities of the invested party to gain return, and has the ability to use the right to affect the returned amount.

"Joint Control" represents a contractual agreed common control over an economic activity. Joint agreement needs to be achieved to decide any arranged related activities. Joint arrangement means any arrangement participated by two or more joint control parties. Joint venture means the joint operating party only has the right to arrange the net assets in the joint operating activities.

"Significant Influence" exists when a party has the power to participate in the decision making of the invested company's financial and operating policies, but is not able to have control or have joint control with other parties over the formulation of these policies. The determinant evidence for significant influence is that company has representative in the invested party's board or related organ of authority to implement significant influence through financial and operating decision. The Group directly or indirectly (through its subsidiary) owns 20% (inclusive) or more but less than 50% of shares with voting rights in the invested company. Significant influence cannot be established where there is explicit evidence indicating that the Group is unable to participate in the decision-making of the operating policy in the invested company. To decide if it has significant influence, the Group consider direct and indirect holding of invested company's ordinary share, and consider any effects from shareholdings with potential voting right. The Group also considers the influence on any executable potential voting rights held by the Group and other parties for current period, such as issued exchangeable warrants, options and exchangeable debts.

(2) Confirmation, subsequent measurement and measurement of long-term equity investment

For consolidation price as by cash, by transferring non-cash assets or guarantee liability, the invested party's equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party's consolidated financial statement. The difference between original investment cost of long term equity investment and the book value of cash paid, non-cash assets transferred, and liability guaranteed is adjusted through share premium in capital reserve. When there is not enough share premiums, the difference is adjusted through retained earnings.

For consolidation price as by equity issued, the invested party's equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party's consolidated financial statement. Based on the nominal value when issued as capital, the difference between the original investment cost for long term equity investment and par value of issued equity is adjusted through

share premium in capital reserve. When share premium is not enough, the difference is adjusted through retained earnings.

For company consolidation not under common control: company use confirmed consolidated cost on acquisition date as original investment cost for long term equity investment.

The agency fee such as audit, legal, and estimation advisory for consolidation and other related management fee are accounted in profit and loss account in that period. The trading fee of equity and debt issued for consolidation is accounted as part of the original confirmed balance in equity or debt security.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment, the investment cost is based on the actual amount of cash paid for the acquisition. For long-term equity investment acquired by issuing equity securities, the investment cost is the fair value of the equity securities issued. For long-term equity investment invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring and exchange of nonmonetary assets, the investment cost is determined according to the relevant accounting standards.

The Group measured the long-term equity investments in controlling investee at cost method; the investments in mutual office and co-operating are measured under the equity method.

Under the cost method, long-term equity investments are measured at its initial investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. Invested company announces the allocated profit or cash dividend as investment return.

Under the equity method, the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is not adjusted in the initial investment cost of the long-term equity investment; the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is recognized in the profit and loss in the current period, and the cost of long-term equity investment is adjusted. After acquiring the long-term investment, in accordance with the share of the net profit or loss and other comprehensive income of the investee, investment income or other comprehensive income is recognized respectively, and the book value of long-term equity investment is adjusted as well; the investor shall reduce the book value of long-term equity investment according to the profit distribution or cash dividend disclosed by the investee; the investor shall adjust the book value of long-term equity investment and recognize the amount in the owner's equity, if there is movement on shareholders' equity of investee other than net profit or loss, other comprehensive income or profit distribution. When recognizing the share of net profit or loss of the investee, adjusting the net profit of the investee using the fair value of the realizable net asset of the investee on the acquisition date as

basis and according to the account policies and accounting periods of the Group; and offsetting shares of unrealized profit or loss of internal trading between the Group and its associates and joint ventures in order to recognize investment income.

(3) Changes in long-term equity investment

For long-term equity investments which result investor to have joint control over or significant effect on the investee due to additional investment and other reasons, the sum of fair value of the initial equity investment which classified as financial asset held-for-sale and the additional investment cost is the initial investment cost after changing the investment to be measured under equity method. The fair value and the book value of the initial equity investment, along with the accumulated changes of fair value which was recognized under other comprehensive income are allocated in the profit and loss of that period when changes are made. If the initial investment cost as calculated above is higher than the share of the identifiable net assets of the investee on the date when additional investment is provided, the book value of the long-term equity is not adjusted; if the initial investment cost as calculated above is lower than the share of the identifiable net assets of the investee on the date when additional investment is provided, the difference is adjusted in the book value of the long-term equity and is recognized in the non-operating income in the current period.

For long-term equity investments which result investor to control over investee which does not under the same control due to additional investment and other reasons, the initial investment cost of the long-term equity investment after changing the investment to be measured under cost method is the sum of the book value of the initial investment and the additional investment cost when preparing individual Financial Reports. If other comprehensive income was recognized before the acquisition date due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when disposing such investment. If the equity investment which was classified as financial asset available-for-sale before the acquisition date, the accumulated fair value changes that is recognized in other comprehensive income shall be allocated to the profit and loss of the period when cost method is adopted.

For long-term equity investments which result investor to no longer have joint control over or significant effect on the investee due to disposal of investment and other reasons, the Group shall recognize the difference between the fair value of the investment on that disposal date and its book value in the profit and loss of the current period if residual investment is classified as financial asset available-for-sale. If other comprehensive income was recognized due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when equity method is no longer adopted.

For long-term equity investments which result investor to loss control over investee due to disposal of investment and other reasons, when preparing individual Financial Reports , equity method shall be

adopted if the residual investment enables the investor to have joint control over or significant effect on the investee, and adjustments shall be made as if the equity method for the residual investment was adopted since acquisition; for residual investment which does not enable the investor to have joint control over or significant effect on the investee, and classified as financial asset available-for-sale, the difference between the fair value and the book value on the date when control was lost is recognized in the profit and loss in the current period.

(4) Disposal of long-term equity investment

On disposal of long-term equity investments, the difference between the carrying value of a long-term equity investments and the actual consideration received is recognized as investment income for the current period. For long-term equity investments accounted for using equity method, when disposal, the proportion that originally accounted in other comprehensive income is now adjusted based on the standard of the same as disposal of related assets or liabilities by invested party directly.

14. Investment properties

Investment properties of the Group include land use rights leased, land use rights held for transfer after appreciation and buildings leased.

Investment properties of the Group are measured at cost. The cost for investment properties purchased from outsiders includes purchase price, related taxes and other expenses directly related to the assets. The cost of investment properties constructed by the Group includes the required construction expenses incurred to bring the assets to the condition of intended use.

Investment properties of the Group are subsequently measured using the cost model. Provision for depreciation or amortization is made according to their estimated useful life and net residual value rate. Estimated useful life and net residual value rate of investment properties are as follows:

Category	Depreciation period (years)	Estimated residual value rate (%)
Land use right	Amortized by the useful life of land	0
Housing and building	20-55	3-10

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognized on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or

damaged the proceeds from disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

15. Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rending services, leasing or operation and management and have useful lives of more than one year with unit value more than RMB2,000.00. A fixed asset which simultaneously meets the following conditions is recognized: economic benefit contained in such fixed asset is likely to flow into the entity; cost of such fixed asset can be measured reliably.

Fixed assets consist of roads and structures, railway tracks, security and surveillance facilities, buildings, plant and machinery, transportation equipment, land, office equipment and others. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of its fair value and the present value of the minimum lease payment at the date of inception of the lease.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses and renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

Depreciation is provided for all fixed assets and lands measured individually, except for the fixed assets that are fully depreciated and remain in use and land that is separately valuated and recorded.

(1) Depreciation is provided for toll roads in the transportation industry and such construction equipment as bridge girder erecting machine, drill, mixing plant, spreading machine and road mixing machine in the building industry using working capacity method.

Depreciation is provided for roads and structures in the transportation industry for a period of 30-50 years using traffic method, with no residual value reserved. No-Operation Toll Highway is not depreciated.

Depreciation is provided for construction equipment in the building industry using working capacity method. The estimated working capacity and estimated residual value rate are as follows:

Equipment	Nature	Estimated working capacity	Estimated residual value rate
1. Asphalt mixing plant, asphalt spreading machine and special supporting equipment for asphalt concrete road construction.	Made in China	900,000 t	5%
	Imported	1,400,000 t	5%
2. Concrete mixing plant, slip form spreading machine and special supporting equipment for cement concrete road construction.	Made in China	300,000 m^3	5%
	Imported	500,000 m^3	5%
3. Bridge girder erecting machine	Made in China	1000 working days	5%
4. Tower crane.	Made in China	2400 working days	5%
5. Drill	Made in China	720 working days	5%
	Imported	1200 working days	5%
6. Joint stone crusher and cold mixer	Made in China	1440 working days	5%

(2) Net residual value rate, method of depreciation and useful life of categories of railway track system in the transportation industry are as follows:

Category of assets	Useful life	Method of depreciation	Net residual value rate
Rolling stock	20 years	Working capacity method	4%
Container	5 years	Straight-line method	4%
Track			
Wherein: Subgrade	100 years	Straight-line method	0%
Crossing	45 years	Straight-line method	1%
Bridge	65 years	Straight-line method	2.5%
Other bridge and culvert projects	45 years	Straight-line method	1%
Tunnel	80 years	Straight-line method	4%
Culvert	55 years	Straight-line method	1%
Shelter forest	45 years	Straight-line method	1%
Track isolation network	15 years	Straight-line method	2.5%
Steel rail, sleeper and ballast		No depreciation	
Signal equipment	8 years	Straight-line method	4%
Housing and building			
Wherein: general buildings	40 years	Straight-line method	4%
Buildings for production subject to corrosion	25 years	Straight-line method	4%
Buildings for production subject to strong	15 years	Straight-line method	4%

Category of assets	Useful life	Method of depreciation	Net residual value rate
corrosion			
Makeshift buildings	10 years	Straight-line method	4%
Building	25 years	Straight-line method	4%
Mechanical and power equipment	20 years	Straight-line method	4%
Transportation and starting equipment	12 years	Straight-line method	4%
Transmission equipment	25 years	Straight-line method	4%
Electrical power supply equipment	10 years	Straight-line method	4%
Instruments and meters	12 years	Straight-line method	4%
Tools and appliances	10 years	Straight-line method	4%
Information technology equipment	10 years	Straight-line method	4%

(3) Except for (1) and (2) above, useful life and estimated residual value rate of fixed assets of the Group are as follows:

No.	Category	Useful life	Estimated residual value rate
1	Housing and building	20-55 years	3-10%
2	Wherein: makeshift buildings	8-20 years	3-10%
3	Plant and machinery	5-30 years	3-10%
4	Vehicles	3-15 years	3-10%
5	Office equipment and other	3-15 years	3-10%

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

A fixed asset is derecognized on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

16. Construction in progress

Construction in progress is measured at cost actually incurred. A construction project carried out by the Group is measured at direct materials, direct wages and direct cost of construction; a construction project contracted out is measured at project price payable; cost of an equipment installation project is determined by such expenses incurred as value of equipment installed, installation cost and project commissioning fee. Cost of construction in progress also includes borrowing costs which should be capitalized and gain or loss arising from exchange.

From the date when the construction in process is available for expected use, fixed assets are carried forward at estimated value according to construction budget, pricing or actual cost of construction project. Depreciation is provided for from the next month. Difference in original value of fixed assets is adjusted after the completion of formalities of final accounts for completion of construction.

17. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference arising from foreign currency borrowings. When expenditures for assets and borrowing costs are being incurred, activities relating to the acquisition, construction or production of those assets that are necessary to prepare the assets for their intended use or sale have commenced, borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalized. Capitalization of borrowing costs shall cease when the assets under acquisition, construction or product is ready for its intended use or sale. Other borrowing costs shall be recognized as expenses for the current period.

The amount of interest of specific borrowings occurred for the period shall be capitalized after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalization period; The capitalized amount of general borrowings shall be determined at the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

Assets eligible for capitalization represent the fixed assets, investment property and inventories, etc, which shall take a long time (generally over 1 year) for acquisition, construction or production to be ready for its intended uses or sales.

When an asset eligible for capitalization is interrupted abnormally and the suspending period lasts more than 3 months during acquisition, construction or production, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production of such assets resume.

18. Intangible assets

Intangible assets of the Group, including land use rights, highway operation rights, patented technology, non-patented technology, software, mining rights and BOT assets are recognized at actual cost at the time of acquisition. The actual cost of the purchased intangible assets is measured at the actual payment and other related expenses. The actual cost of intangible asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements. In case where the agreed consideration of the contracts or agreements is not justified, the assets are measured at fair value.

Land use rights are evenly amortized over their lease terms from the date of transfer. Patented technology, non-patented technology and other intangible assets are evenly amortized on the basis of the shortest of their estimated useful lives, the number of beneficial years as stipulated by contract and the valid term required by law. Amortization amount is included in the cost of related assets and profit or loss for the current period based on the beneficiary of the assets. The mining right of Tianrui Mining is amortized by using working capacity method.

The estimated useful lives and amortization method of intangible assets with finite useful lives are re-assessed at the end of each financial year. Any changes will be dealt with as changes on accounting estimates. The estimated useful lives of intangible assets with indefinite useful lives are reviewed in each accounting period. Where there is objective evidence to prove that the useful life of an intangible asset is finite, the Company shall estimate the useful life and amortize that intangible asset over its estimated useful life.

19. Research and development

Research and development expenses of the Group are classified as research expenses and development expenses according to their nature and the certainty over research and development activities' final formation of intangible assets. Research expenses are recognized in the profit or loss for the current period when they are incurred; development expenses which simultaneously meet the following conditions are recognized as intangible assets:

(1) It is technically feasible to complete such intangible assets so as to enable the use or sale thereof;

(2) There is the intent to complete and use or sell such intangible assets;

(3) Products produced by such intangible assets have market or such intangible assets themselves have market;

(4) There is sufficient technical, financial and other resources to complete the development of such intangible assets and such intangible assets are able to be used or sold;

(5) Expenses attributable to the development of such intangible assets can be reliably measured.

Development expenses which fail to meet the foregoing conditions are recognized in the profit or loss for the current period when they are incurred. Development expenses which have been previously recognized in the profit or loss are not recognized as assets for periods thereafter. Development expenses already capitalized are recognized as development expenses in the balance sheet and translated to intangible assets from the date when such project is available for expected use.

20. Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures such as decoration cost and road and bridge renovation cost, which have incurred but shall be amortized over the current period and subsequent periods of more than 1 year (excluding 1 year). They are amortized evenly over the estimated beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the profit or loss for the period.

21. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's entitlement to or acquisition of (through the business combination) interest in the fair value of the net identifiable assets of the invested company or the acquire at the date of acquisition or combination. Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates and jointly controlled entities is included in the carrying amount of the long-term equity investment.

22. Impairment of long-term non-financial assets

As of each balance sheet date, the Group assesses whether there is any sign indicating that the long-term equity investments, fixed assets, construction in progress and intangible assets with finite useful lives may be impaired. If there is any sign indicating that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and an intangible asset with indefinite useful lives are tested for impairment annually, irrespective of whether there is any sign to indicating that the asset may be impaired. When it is impossible to make the impairment test on the recoverable amount of an individual asset, the impairment test should be made on the basis of the corresponding assets combination or the combination of group assets belongs to.

After the test of impairment, if the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss. Once an impairment loss on the assets is recognized, it will not be reversed in subsequent periods. The recoverable amount of an asset is the higher of the net of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

The signs of impairment are as follows:

(1) The current market price of an asset declines substantially, exceeding obviously the expected decline caused by time changes or normal application;

(2) There are significant changes in the economic, technical or legal environment in which the enterprise operates and in the market where the asset is located in the current period or near future, resulting in adverse impacts on the enterprise;

(3) The market interest rate or rate of return of other market investment has increased in the period, affecting the discount rate used by an enterprise for the calculation of the present value of the asset estimated future cash flow which results in a substantial decline in the recoverable amount of the assets;

(4) There is evidence to demonstrate that the asset has already gone obsolete or its entity has already been damaged;

(5) The asset has already been or will be left idle, ceased to be used, or planned to be disposed in advance;

(6) There is evidence from the internal reports demonstrating that the economic returns of asset, such as the net cash flows generated by asset or operating profit (or loss) realized by asset, are much lower (higher) than that as expected;

(7) Any other sign indicates that the value of an asset may have already been impaired.

23. Payroll

The payroll of the Group refers to remuneration and compensation offered by the Group when receiving services from its employees or terminating the employment, including: short-term payroll, post-employment benefit, resignation benefit and other long-term employee benefit. The benefits offered by the Group to the employees' spouse, children, dependent, family members of deceased employees and other beneficiaries.

(1). Short-term payroll refers to payrolls which will be paid in full no later than 12 months after the period in which employees render their services, except for compensation for termination of employment. The Group's short-term payroll includes salaries, bonus, allowances and subsidies, staff benefits, medical insurance premiums, labor injury insurance, maternity insurance and other social security insurances, housing fund, union fund and staff education fund, short-term paid absences, short-term profit distribution plans, non-monetary benefits and others.

The Group recognizes payroll payables as liabilities during the accounting period in which employees render their services and allocates it to related cost of assets and expenses based on the beneficiaries of the services. Non-monetary benefits are measured in its fair value.

(2). Post-employment benefit refers to variety of remuneration and compensation offered by the Group after receiving services from its employees or terminating the employment. Those belong to short-term payroll and resignation benefits are not included here.

The defined contribution plan of the Group is to pay basic pension insurance, unemployment insurance and annuity etc. according to relevant regulations of local government. During the period in which employees render their services, the amount payable is calculated in accordance with the required pay base

and percentage, which is recognized as a liability and recorded into the current profit and loss or relevant asset cost.

The Group establishes annuity, and the funds are paid by the Group as well as the employees. The amount paid by the Group is 5% of the total salaries of last year and is allocated to the cost of the Group. The amount paid by individual employees is 5% of the pay base of this year's basic pension insurance, and is withheld and paid by the Group from their salaries.

According to the formula obtained by using projected unit credit method, the Group allocates the benefit resulted from the defined benefit plan to the periods when employees render services, and allocates it to profit and loss of the current period or related cost of assets. The deflect or surplus is the present value of define benefit plan obligation less the fair value of plan assets which is recognized as a net defined benefit liability or asset. When the surplus exists, the net defined benefit asset is the lower of the surplus and asset cap of the defined benefit plan.

All the define benefit plan obligation, including obligation paid within 12 months after the end of reporting period when employees rendering their services, the Group should discount the income according to the balance sheet date and the term of define benefit plan obligation, the income of bond with matching currency or high-quality corporation debenture.

The service cost of defined benefit plan and the net interest of net defined benefit liability or asset should be allocated it to profit and loss of the current period or related cost of assets; the re-measurement of net defined benefit liability or asset is recognized in the other comprehensive income and will not be reclassified to profit and loss.

On the settlement date of the define benefit plan, income or loss is recognized according to the difference between the present value of define benefit plan obligation and settlement price.

(3). Resignation benefit is the compensation offered when the Group terminates the employment with an employee before the expiry of the employment contract or provides compensation for acceptance of voluntary redundancy. For employees who have not terminate their employment contract, but will not render their services or bring any future economic benefits to the Group, the Group commits to provide compensation with properties of resignation benefit. In any case of early retirement, the Group should offer resignation benefit before the official date of retirement, and post-employment benefit should be offered after that date.

When the Group is not allowed to unilaterally withdraw the termination plan or the redundancy offer, the estimated liability for compensation arising from the termination of employment with employees should be charged to the profit or loss for the current period, and is recognized at the earlier date of the confirmation time of the related cost or expense.

For resignation benefits which are expected to unable to paid in full during the reporting period or after 12 months of that period, for those resignation which will be completed within one year but compensation will be paid over one year, the Group should choose appropriate discount rate to calculate and recognize the discounted resignation benefit amount in the profit and loss of the current period.

(4). Other long-term employee benefits are the benefits other than short-term payroll, post-employment benefit and resignation benefit, and including long-term paid absences, long-term disability benefit, long-term profit distribution plan and so on.

When the long-term employee benefits offered by the Group meet the conditions of defined contribution plan, the accounting treatment of defined contribution plan is applied. When the long-term employee benefits offered by the Group meet the conditions of defined benefit plan, the relevant regulations are applied, and net liability and net asset of other long-term employee benefit are recognized and measured. At the end of reporting period, the Group discloses the payroll cost of other long-term employee benefit into two components: service costs; net interest of net liability or net asset of other long-term employee benefit. The net amount should be recognized in the profit and loss in the period or related cost of assets.

24. Share-based payment

Share-based payment refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees or other parties. Share-based payment consists of equity-settled share-based payments and cash-settled share-based payments.

The equity-settled share-based payments in return for employee services are measured at the fair value of the equity instruments granted to employees on the grant date. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then the amount of such fair value should, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses using the straight-line method during the vesting period and the capital reserves should be increased accordingly.

A cash-settled share-based payment is measured in accordance with the fair value of liability confirmed based on the shares or other equity instruments undertaken by the Group. If the right may be exercised immediately after the grant, the fair value of the liability undertaken is, on the grant date, included in the relevant costs or expenses, and the liabilities are increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period, based on the best estimate of the information about the exercisable right, are included in the relevant costs or expenses at the fair value of the liability undertaken by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each year end date prior to the settlement of the relevant liabilities, the fair value of the liabilities is re-measured and changes are included in the profit or loss for the current period.

25. Bonds payable

Bonds payable of the Group are measured at fair value on initial recognition, and relevant transaction costs are included in initially recognized amount. They are subsequently measured at amortized cost.

Difference between payment price of bonds and aggregate nominal value of bonds is recognized as bond premium or discount and is amortized on provision for interest over the duration of bonds using the effective interest method and treated according to the principles for treatment of borrowing costs.

26. Provisions

The business related to such contingencies as external guarantee, trade acceptance discount, pending action or arbitration and product quality assurance which simultaneously meets the following conditions is recognized by the Group as a liability: such obligation is a current obligation assumed by the Group; the performance of such obligation may result in the flow of economic benefit out of the enterprise; the amount of such obligation can be measured reliably.

Provisions are initially measured based on the best estimate of expenditures necessary for the performance of relevant current obligations and in overall consideration of such factors relating to contingencies as risk, uncertainty and time value of money. If the time value of money has significant influence, the best estimate is determined after relevant future cash outflows are discounted. The carrying amount of provisions is reviewed on each balance sheet date. In case of any change, the carrying amount is adjusted to present the current best estimate.

27. Principle of the recognition of revenue

(1). The recognition of revenue adopting old revenue standards issued by MOF in 2006

The operating incomes of the Group are generated mainly from toll in the transportation industry, revenue from sale of commodities, rendering services, construction contracts, BT or BOT project financing, assignment of assets use rights, agency commission and brokerage. The principles of revenue recognition are as follows:

1) Revenue from toll in the transportation industry: revenue from toll collected by the online toll system of Sichuan Province is taken as the realization of operating income after being confirmed by the Expressway Monitoring and Settlement Center of Sichuan transportation Department through clearing and settlement.

2) Revenue from sale of commodities: when main risks and rewards of ownership of a commodity have been transferred to the buyer, the Group no longer exercises the right of continuous management and

effective control associated with the ownership in respect of such commodity, economic benefits relating to the transaction are able to flow into the enterprise and relevant revenue and costs can be reliably measured, the realization of the revenue from sales of commodities is recognized.

3) Revenue from rendering services: when the total revenue and the total cost of services can be reliably measured, the economic benefit relating to provision of services is likely to flow into the Group, and the results of services can be reliably determined, the realization of the service revenue is recognized. On the balance sheet date, if the results of transaction of rendering services can be reliably estimated, relevant service revenue is recognized using the percentage-of-completion method, and the percentage of completion is determined according to the proportion of cost incurred to the estimated total cost; if the results of transaction of rendering services cannot be reliably estimated and the cost of service incurred is expected to be compensated, revenue from provision of services is recognized in the amount of cost of services which is incurred and can be compensated, and cost of services incurred is carried forward; if the results of transaction of rendering services cannot be reliably estimated and the cost of services incurred is unlikely to be compensated at all, cost of services incurred is recorded in the profit and loss for the current period and the service income is not recognized.

4) Revenue from BT or BOT project financing: in the case of a project where public infrastructure is constructed by means of BOT (build-operate-transfer) or BT (build-transfer) and charges are not collected from the public but reimbursed by the government after operation, cost of construction incurred and financing interest are recognized in long-term receivables. In respect of government repayment plan as contracted, the gain which should be recognized is calculated using the effective interest method. In case of any significant difference between the government's reimbursement actually received and the repayment plan stipulated, effective interest rate is adjusted according to the actual situation and the repayment plan modified and the gain which should be recognized is re-calculated.

5) Revenue from assignment of right to use of assets: if economic benefits relating to a transaction can flow in and the amount of revenue can be reliably measured, the realization of revenue is recognized according to such time and method as stipulated by relevant contracts and agreements.

6) Revenue from securities companies: commission revenue from trading in securities on behalf of customers is recognized as revenue on the date of securities transaction; commission revenue from redemption of securities as an agent is recognized as revenue when relevant services provided for redemption of securities are completed; commission income from custody of securities as an agent is recognized as revenue when custody services are completed; in case of balance underwriting and sales by proxy, revenue is recognized when relevant services provided for underwriting business are completed.

(2). The recognition of revenue adopting new revenue standards issued by MOF in 2018

The Group recognizes revenue based on the transaction price allocated to such performance obligation

when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the relative proportion of stand-alone selling prices of goods or services promised in single performance obligation and the revenue shall be recognized in accordance with the relative proportion of stand-alone selling prices.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to customer, excluding amounts collected on behalf of third parties. Refund liability are recognized if the Group receives consideration from customers and expected to refund to customers and the consideration is not included in the transaction price. If there is a significant financing component in the contract, the Group determines the transaction price according to the amount payable in cash when the customer obtains the control right of goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the start date of the contract, if the Group expects that the interval between the customer's acquisition of control over goods or services and the customer's payment of the price is no more than one year, the significant financing components in the contract will not be considered.

The Group satisfies a performance obligation over time, if one of the following criteria is met, otherwise the the Group satisfies a performance obligation at a point in time:

1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the entity performs; or

2) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

For the performance obligation over time, the Group adopts the input method to determine performance schedules, namely according to the Group's input into the performance of contractual obligations. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred and recognize the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For the performance obligation at a point in time, the Group recognizes the revenue at a point in time at which a customer obtains control of a promised asset. To determines the point in time at which a customer

obtains control of a promised asset and the entity satisfies a performance obligation, the Group shall consider the following requirements for control:

1). The Group has a present right to payment for the asset

2). The customer has legal title to the asset

3). The Group has transferred physical possession of the asset

4). The customer has the significant risks and rewards of ownership of the asset

5). The customer has accepted the asset

The Group’s right to receive consideration for the transfer of goods to its customers is listed as contract assets. The provisions for the contract assets are based on the expected credit losses method. The Group's unconditional right to receive consideration from customers is listed as receivables. A contract liability is presented in the balance sheet where an amount of consideration has been received or is receivable by the Group.

28. Construction contracts

The Group recognizes contractual revenues and contractual expenses using the percentage-of-completion method on the balance sheet date when total contractual revenues can be reliably measured, economic benefits relating to contracts are likely to flow into the Group, contractual costs incurred can be clearly distinguished and reliably measured, and the progress of contract completion and costs necessary for the completion of contracts can be reliably determined. When the percentage-of-completion method is adopted, the progress of contract completion is determined according to the proportion of the contracted working capacity completed to the estimated total working capacity of the contract.

When results of a construction contract cannot be reliably estimated, if contract cost can be recovered, contract revenue is recognized according to the actual contract cost which can be recovered, and contract cost is recognized as an expense for the current period; if contract cost cannot be recovered, contract cost is recognized as an expense immediately after it is incurred and no revenue is recognized.

The Group checks construction contracts at the end of period. If the estimated total cost of construction contracts will exceed the estimated total revenue of construction contracts, provision is made for loss and estimated loss is recognized as an expense for the current period.

29. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained reliably, it should be measured at nominal amount (1RMB).

(1) Judgment basis and accounting treatment method of government grants related to assets

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets.

A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss in a reasonable and systematic manner within the useful life of the relevant assets. Government grant measured at a nominal amount is recognized directly in profit or loss for the current period.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of the relevant deferred income that has not been allocated shall be transferred into the asset disposal income for the current period.

(2) Judgment basis and accounting treatment method of government grants related to assets

Government grants related to income are government grants other than government grants related to assets.

A grant that compensates the Group for expenses or losses to be incurred in the future is recognized initially as deferred income, and recognized in profit or loss in the period in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses already incurred is recognized to profit or loss.

Government grants related to daily activities are recognized in other income or written down the related cost and expenses according to the nature of business activities. Government grants related to non-daily activities are recognized in non-operating income or expenses.

For the government grants that include the asset related part and the income related part at the same time, different parts shall be distinguished for accounting treatment respectively. If it is difficult to distinguish, it shall be classified as the income related government grants as a whole.

30. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and deferred income tax liabilities of the Group are recognized based on the differences between the tax bases of assets and liabilities and their respective book values (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized. As of the balance sheet date, deferred income tax assets and

liabilities are measured at the applicable tax rates that are expected to apply to the period in which the assets are realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognized to the extent that it is probable that taxable profit will be available to the Group to offset such deductible temporary difference. With regard to the deferred tax assets that have already been confirmed, if it is anticipated that no future taxable profits will be available to offset the deferred income tax assets, the carrying value of the deferred income tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount so reduced will be reversed.

31. Leases

The following are applied to old Lease Standard issued by MOF in 2006

Leases are classified as finance leases and operating leases at the date of inception by the Group.

Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. The Group, as a lessee, recognized the assets under finance lease at the inception of the leases at the lower of their fair value and the present value of minimum lease payments. The corresponding liability is recorded as ‘‘long-term payable’’ at the amount of minimum lease payments. Their difference is recorded as unrecognized finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lessee, recognized lease payments as a cost of an assets or an expense on a straight-line basis over the terms of the relevant lease. The Group, as a lessor, recognized lease payments as rental income on a straight-line basis over the terms of the relevant lease.

The following are applied to new Lease Standard issued by MOF in 2018

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

For contracts entered into initial application, the Group assesses whether a contract is or contains a lease at inception date. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the customer has both of the following: the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

1) the Group as lessee

The Group recognizes right-of-use assets and lease liability at the commencement date of the lease.

right-of-use assets are initially measured at cost. This cost includes: the initial measurement amount of the lease liabilities; any lease payments made at or before the commencement date (less the relevant amount

of any lease incentives received); any initial direct costs incurred by the Group; an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group depreciated the right-of-use assets by straight-line method. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of its remaining useful life and the lease term.

Lease liabilities are initially measured at present value of the residual lease payment at the commencement date of lease, and implicit interest rate is applied as the discount rate of the lease. If the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate will be adopted as discount rate.

The Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and recognized in profit or loss for the current period or the costs of the relevant asset. Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss or related asset costs when incurred.

After the commencement date of the lease, the Group re-measures the lease liabilities by discounting the present value of revised lease payments using a revised discount rate: there is a change in the assessment of exercise of a purchase option, renewal option, termination option; lease term has changed because of the changes between actual exercise and the original assessment of exercise of a purchase option, renewal option, termination option; the expected lease payments under a guaranteed residual value or the index or rate determining the lease payments change.

When re-measures the lease liabilities, the Group adjusted carrying amount of the right-of-use assets corresponding. If the right-of-use assets are reduced to zero and the lease liabilities are still need to reduce, the Group will recognize the residual amount into gains and losses in the current period.

The Group elects not to recognize the right-of-use assets and lease liabilities for short-term leases (a lease term of 12 months or less) and low-value asset leases. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

2) the Group as lessor

On the commencement date of the lease, the Group classifies the lease as finance lease and operating lease. Lease that transfers substantially almost all the risks and rewards incidental to ownership of an lease asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group is a sublessee, subleases are classified based on the right-of-use assets generated from the original lease, rather than the underlying assets of the original lease. If the original lease is a short-term lease and the Group chooses to simplify the above short-term lease, the Group classifies the sublease as an operating lease

On the commencement date of the lease, the Group recognizes financial lease receivables and derecognizes the finance lease assets. On the commencement date of the lease, the Group adopts the net lease investment as the recorded value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease payments at the commencement date of the lease which are discounted using the interest rate implicit in the lease.

Interest income in each period during the lease term are calculated and recognized by the Group using the fixed periodic rate of interest. Variable lease payments that are not included in the measurement of net lease investments are recognized in profit or loss for the current period as incurred.

Under operating leases, in each period of the lease term, the Group adopts the straight-line method (or other systematic and reasonable method) to recognize the lease receipts of operating leases as rental income. The initial direct expenses related to operating leases shall be capitalized and amortized on the same basis as the rental income during the lease term, and shall be included in the current profits and losses by stages. The variable lease payments not included in the lease receipts shall be included in the current profits and losses when they are actually incurred

32. Accounting for income tax

Income tax is accounted by using the balance sheet liability method. Income tax expenses represent the sum of current income tax and deferred income tax. Current income tax and deferred income tax in connection with the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred income tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current income tax and deferred income tax are recognized in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognized using the balance sheet liabilities method at the end of the period and their balances originally recognized.

33. Assets held-for-sale

The Group classifies non-current assets as assets held-for-sale when they meet following requirements: 1) the Group has made a resolution on disposal of the non-current assets; 2) the Group has already made an irrevocably transfer agreement with the acquiring party; 3) the transfer agreement is likely to be completed within one year. Assets held-for-sale includes individual assets and disposal groups. Disposal groups refer to a group of assets which are sold or disposed in other ways as a whole, and the directly related liabilities of these assets are transferred in the translation. Disposal groups usually are a group of asset group, an asset group or a part of some asset group.

For fixed assets, the Group adjusts the expected residual value of the fixed assets when recognizing them as assets held-for-sale to reflect the difference between their fair value and disposal expenses, as long as the amount is not higher than the book value of the fixed assets. If the original book value is higher than the adjusted residual value, the difference is recognized as impairment loss and allocated in the profit and loss in the current period. The fixed assets which are held-for-sale will not be depreciated, and are measured according to the book value and the fair value less disposal expense.

When an asset or disposal group classified as held-for-sale no longer meet the recognition criteria, the Group should stop classifying it as asset held-for-sale and measure it at the lower of the following: the book value of the asset or disposal group before classified as held-for-sale, and adjusting for depreciation, amortization or impairment as if it was not recognized as asset held-for-sale; the recoverable amount at the date when the asset or disposal group is not holding for sale.

The intangible assets, long-term equity investment and other non-current assets which meet the recognition criteria should be treated in accordance with the stated principle.

34. Fair value measurement

(1). Fair value at initial recognition

For assets and liabilities measured at fair value, the Group considers factors specific to the asset or liability and defines the price that would be paid to acquire the asset or received to assume the liability in an orderly transition between market participants at the measurement date as fair value. When calculating related assets and liabilities measured with fair value, the transaction of market participants selling assets or transferring liabilities on the measurement day is an orderly transaction under the current market conditions. The transaction should be completed in the principle markets of the assets and liabilities; the transaction should be completed in the most advantageous market if they do not have any principle markets; assuming the market participants try to maximize their economic benefits when pricing the assets or liabilities. When measuring non-financial assets, the Group should consider the ability to generate economic benefits by the market participants with the highest and best use of the asset, or the ability to generate economic benefits for selling the asset to other market participants with the highest and best use of the asset.

(2). Valuation techniques

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The valuation techniques mainly include market approach, income approach and cost approach. When applying valuation techniques, relevant observable inputs should be used prioritized, unobservable inputs should only be used when relevant observable inputs cannot be obtained.

(3). Fair value hierarchy

The Group determines the level of fair value measurement results according to the lowest level described in the input values of great significance as a whole: level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The active market is the market which has the greatest volume and level of activity for the asset or liability; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

35. Accounting treatment for financial asset transfer and non-financial asset securitization business

When financial assets are transferred, judgments should be made according to whether substantially all risks and rewards of the ownership of the financial assets are transferred to another party: if all the risks and rewards are transferred, the related financial assets should be derecognized; the financial asset should not be derecognized if the asset is not transferred and substantially all the risks and rewards are not transferred; if the asset is not transferred and substantially all the risks and rewards are transferred, the Group shall determine whether to derecognized the asset in accordance with the extent to which the financial asset is controlled: derecognize the financial asset if the asset is not controlled by the Group; if the control is sustained, related financial assets as well as related financial liability should be recognized according to the extent of continuously involvement of the financial asset. The difference between consideration received and the book value of the financial assets shall be allocated into profit and loss in the current period when the financial assets meet the derecognition criteria. The accumulated fair value movement of financial assets which was recognized in the equity should be reallocated into profit and loss in the current period; if part of the derecognition criteria is met, splitting the book value of the total transfer asset according to their fair value of the derecognized part and the other part, pro data, using the divided book value in contrast to the whole assets, and treating the transferred part. The consideration shall be recognized as financial liability if the asset does not meet the derecognition criteria.

36. Segment information

Segments of the Group are identified and segment information is disclosed in its financial statements based on industry sectors.

37. Discontinued operations

Discontinued operation refers to a component which has been disposed of or held for sale and can be separately distinguished on operation and preparation of financial statements. Such component will be disposed in whole or part as scheduled.

A component which simultaneously meets the following conditions is held for sale: a resolution has been made on the disposal of such component, an irrevocable transfer agreement has been entered into with the transferee, and such transfer will be completed in one year.

IV. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes in accounting policies and their effect

1) Xinzhu Co., a subsidiary of our group, has implemented the revised guidelines of the Ministry of Finance of the People's Republic of China (*CAS 14 - Revenue*) in 2017 on January 1, 2020. The impact of this guideline on the consolidated balance sheet as of 1 January 2020 is listed as follows:

Item	Balance sheet		
	December 31, 2019	**The influence of new revenue standards**	**January 1, 2020**
Accounts receivable	25,043,438,081.84	-737,459,540.96	24,305,978,540.88
Contract assets		784,600,309.60	784,600,309.60
Deferred revenue	14,980,353,872.79	-10,488,361.8	14,969,865,510.99
Contract liability	1,087,068,910.21	57,629,130.44	1,144,698,040.65

2. Changes in accounting estimates and their effect

There is no change in accounting estimates during the period.

3. Correction of errors of prior periods and their effect

There is no correction of errors during the period.

4. Adjustment of figures at the beginning of period due to changes in scope of consolidation

There is no adjustment of figures at the beginning of period due to changes in scope of consolidation

V. TAXATION

Main tax categories and tax rates applicable to the Group are as follows:

1. Value added tax (“VAT”)

General taxpayers are subject to VAT on sales of goods, import of goods and provision of VAT taxable services at the rate of 3%, 5%, 6%, 9%,10%, 11%, 13% ,and 16%, and small-scale taxpayers are subject to VAT on sales of goods and provision of taxable services at the rate of 3%, the export products shall implement the policy of exemption, deduction and refund.

(1). In accordance with *the stipulation in Notice of Tax Benefits List of Resource Comprehensive Utilization of Products and Services* (Cai Shui [2015] No.78) printed by MOF and State Administration of Taxation, Zigong Energy Investment Western Environmental Protection Power Generation Co., Ltd, Everbright Environmental Energy (Suining) Co., Ltd, Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd, the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoy 100% of VAT rebate of power generation income, enjoy 70% of VAT rebate of garbage disposal income. Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd enjoy 70% tax retreat.

(2). In accordance with *Stipulation of Experimental Transition from Business Tax to Value-added Tax* (Cai Shui [2016] No.36), children care and education services provided by Sichuan Energy Investment Ruijia Property Co., Ltd., one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoy VAT tax free benefit.

(3) In accordance with the *stipulation of Notice about Problems in Promoting the Development of VAT, Business Tax and Corporate Income Tax policy in Energy Saving Industry* (Cai Shui [2010] No.110), the contractual energy management projects of Energy saving company, transferring to energy using companies is VAT tax free. Chengdu GENL Investment Co., Ltd. Sichuan Energy Investment Bozhong Intelligent Lighting Investment Co., Ltd which are the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. obtained the notice of tax issues (Cheng Gao Guo Shui Tong No.510198141208407) from National Tax Bureau of Chengdu High-tech Zone. The contractual energy management projects are VAT non-taxable, the benefit period is from January 1, 2015 to December 31, 2021.

(4) According to the *Notice about Entire Implementation of Experimental Transition from Business Tax to VAT of the Ministry of Finance and State Administration of Taxation* (Cai Shui [2016] No.36 Appendix Article I No.11),The tickets revenue of Sichuan Ludi Bridge New City Culture Travel Co., Ltd. which is a subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. is non-taxable of VAT, it obtained the Taxpayer Tax Reduction and Exemption Registration Form which was approved by National Tax Bureau of Ludi of Ganzi State on July 7,2016 to permanent.

(5). In accordance with Guo Shui Han [2009] No.591, *the rural grids maintenance income from selling of electronic power will be exempt from VAT.* Sichuan-Hydropower-Investment &Management Group Ltd. the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. enjoyed exemption of VAT.

(6).In accordance with Cai Shui [2013] No.106, *approved by People's Bank of China, China Securities Regulatory Commission, and Commerce Department*, the tangible property lease service provided by general taxpayer which is one of the experimental taxpayer in financial leasing industry, which part the actual tax burden of VAT over 3% enjoyed tax refund after taxing benefit of VAT. Sichuan Jinshi Leasing Co., Ltd. is one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd and Chengyu Financing Leasing Co is one of subsidiaries of Sichuan Transportation Investment Group Co., Ltd enjoys the VAT preferential policy mentioned above.

(7). In accordance with the *Circular on VAT Additional Deduction Policy Concerning Life Service Industry* (Cai Shui[2019] No. 87), Guang'an Qianfeng Energy Investment Everbright Sanitation Service Co., Ltd, Nayong Chuanneng Environmental Engineering Co., Ltd Sichuan Hengsheng Tianjie Environmental Management Co., Ltd, the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd., enjoy the the current deductible input tax plus 15% deduction policy from October 1, 2019 to December 31, 2021

(8). In accordance with the *Circular on Continued Implementation of the Preferential VAT Tax and Business Tax Policies for Culture Industry* (Cai Shui[2018] No.53) issued by the Ministry of Finance and State Administration of Taxation of the people's Republic China: ① the VAT of publications will be fully taxed and return later or 50% taxed and return later in accordance with the category it belongs to in the publishing process, and the implementing period starting from 1 January 2018 to 31 December 2020 ②the wholesale and retail of books will be tax free during the period between 1 January 2018 and 31 December 2020, Xinhua Group enjoyed this preferential tax policy in the business of wholesale and retail of books.

(9). The airline food revenue of subsidiaries Sichuan Airlines LSG Catering Co., Ltd. and Sichuan Airlines Chongqing Airport Catering Co., Ltd. consolidated into the scope of Sichuan Airlines Group Co. Ltd is applied to VAT, The output value added tax rate of domestic products is 16% and 13%, and its input tax of purchasing raw materials can be deducted from output tax. Besides food provide for oversea airlines is applicable for the policy of exemption, deduction and refund.

(10). In accordance with *Aircraft Maintenance VAT issued by MOF and State Administration of Taxation* (Cai Shui [2000] No. 102), the Company has implemented the policy of immediate collection and refund by the tax authorities for the part of the actual tax burden of value-added tax on aircraft maintenance services exceeding 6% since January 1, 2000. Sichuan Aircraft Maintenance Co., Sichuan Airline Keruite Co., the subsidiaries of Sichuan Airline Group, implemented tax retreat policy for the actual tax burden exceeding 6%.

(11). According to *Catalogue of Preferential VAT for Products that Comprehensively Utilize Resource and Service* (Cai Shui [2015] No. 78) issued by the Ministry of Finance and State Administration of Taxation, the taxpayer that sells products that comprehensively utilize resource and provides services that comprehensively utilize resource can enjoy tax retreat preferential policy. Sewage treatment business of

Xingwen Drainage Company, Jiang'an Drainage Company, Meishan Drainage Company, Southern Drainage Company, Ya'an Caoba Drainage Company, Zizhong Drainage Company, Zigong Sewage Company, Yingjing Drainage Company and Ya'an Drainage Company, which are the subsidiaries of Sichuan Environment Investment Group Co., satisfies the VAT tax retreat policy. Sichuan Environment Investment Group., Ltd. The treatment of industrial waste gas, flue gas and high-sulfur natural gas produced in the production process of various industrial enterprises conforms to the above tax preferential policies. The following enterprises are covered by the above tax policy: Fresh Environment Datong Branch, Fengrun branch, Fenglingdu branch, Pingshuo branch, Shenmu branch, Shizhu branch, Tuoketuo branch, Wuxiang branch, Xuzhou branch, Yongcheng branch, ustai branch, Huainan Branch, Tumushuke branch, Wuhai branch of Sichuan Environment Investment Group., Ltd

(12). In accordance with *Notice On Continuing To Implement Preferential Tax Policies For Construction And Operation ff Rural Drinking Water Safety Projects* (Cai Shui [2016] No. 19) issued by the Ministry of Finance and State Administration of Taxation, The sales revenue of tap water obtained from the entity with operation and management of drinking water project providing water to rural residents shall be exempted from value-added tax. Ya'an Water Supply Company, the subsidiary of Sichuan Development Environment Investment Group, satisfies above regulations and the revenue from providing residential water for rural residents are exempted from VAT.

(13). Pursuant to *Circular of the State Council on Strengthening The Prevention And Control of Water Conservation And Pollution in Urban Water Supply* (Guofa [2000] No.36), the sewage treatment fee charged with water fee by waterworks entrusted by governments at all levels and competent departments shall be exempted from value-added tax. The sewage treatment fee charged by Xingwen Water Supply Company, Mianzhu Water Supply Company And Yingjing Water Supply Company, which are the subsidiaries of Sichuan Development Environment Investment Group, satisfies the above policy and are exempted from VAT

(14). Pursuant to *Circular of the State Council of the People 's Republic of China on Comprehensively Promoting The Pilot Project Of Replacing Business Tax With VAT* (Cai shui [2016] No.36) issued by the Ministry of Finance and State Administration of Taxation, taxpayers providing technology transfer, technology development and related technical consultation and technical services are exempted from VAT

(15). Pursuant to *Circular of the On launching the pilot project of changing business tax to value-added tax in an all-round way* (Cai shui [2016] No.36, Annex 2 article 1, paragraph 9, item 2), the provisions on "general taxpayers in highway operating enterprises choose to apply the simple method of tax deduction to calculate the VAT payable at 3%". The income from highway tolls collected by Sichuan Development Environment Investment Group shall be deducted by 3% of the value-added tax.

(16). Based on Article 15 in *Interim Regulation of the People's Republic of China on Value Added Tax*. The following items are exempt from VAT: Agricultural products sold by agricultural producers.

According to *Circular of On the issue of exempting vegetable circulation from VAT* (Cai shui [2011] No.137), *Circular of The VAT policy on the circulation of some fresh meat and egg products is exempted issued by State Taxation Administration* (Cai shui [2012] No.75). Sichuan Guoyuan Agriculture Investment Co., Ltd. is exempt from part of the above VAT.

2. Urban construction tax and education surcharge:

Category	Calculation base	Tax rate
Urban construction tax	Payable VAT	1%, 5%, 7%
Educational surcharge	Payable VAT	3%
Local educational surcharge	Payable VAT	2%

3. Enterprise income tax (''EIT'')

Enterprises of the Group are subject to EIT at the rate of 25%, except for the following entities that enjoy preferential income tax policies:

(1). In accordance with the *Notice Concerning EIT Treatment of Special-Purpose Financial Funds* (Cai Zheng [2011] No. 70) issued by the Ministry of Finance and State Administration of Taxation of the people's Republic China, subsidized funds obtained by the Company are nontaxable revenue.

(2). According to *the stipulation in the Enterprise Income Tax Law*, operating income from the investment of public infrastructure projects which satisfied the scope, condition and criteria of the Corporate Income Tax Benefits List of Public Infrastructure is nontaxable for the enterprise income tax from the first year to the third year, and half levied from the fourth year to the sixth year. Guang'an Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd., Everbright Environmental Protection Energy (Suining) Co., Ltd., Ya'an Energy Investment Everbright Environmental Protection Energy Co., Ltd., Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd., Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd enjoy preferential tax policy. This er is sixth year of the Guang'an Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd., Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd. that enjoy the preferential tax policy and the second year of Ya'an Energy Investment Everbright Environmental Protection Energy Co., Ltd., Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd. that enjoy the preferential tax policy.

(3). Sichuan Sunfor Light Co., Ltd., Zhongke Light (Changchun) Co., Ltd., and Nanjing Yinmao Lead-zinc Mining Co. Ltd. are subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. The three subsidiaries are certified by Science and Technology Department, General Office of Finance, National Tax Bureau, and Excise Office together of each province belonged as High Technology Enterprise, and the certification number is GF201451000049, GR201522000039, and GR201832001454 respectively. These subsidiaries enjoyed an actual implemented EIT rate 15% in 2020 according to related

stipulations from Enterprise income tax law of the People's Republic of China and Regulations Enterprise Income Tax Law People's Republic China.

(4). According to the *Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation Concerning Issues of Tax Policies Relating to Further Implementation of Western Development Strategy* (Cai Shui [2011] No. 58), 15% preferential EIT rate are applied in the following companies:

The subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. which are Sichuan Gas Pipeline Investment Co., Ltd., Sichuan Puge Yongyu Water Electricity Development Co., Ltd., Sichuan Jinhui Electricity Co., Ltd., Tianquan Kangneng Hydropower Development Co., Ltd., Sichuan Energy Investment Base Co., Ltd., Sichuan Energy Xindu Distributed Energy Co., Ltd., Sichuan Zhaojue Electric Power Co., Ltd.,Luzhou Jialeyuan Electrical Development Co., Ltd., Hejiang Laolongkou Electric Power Co., Ltd., Sichuan Jinyu Financial Guarantee Co., Ltd., Sichuan Jinshi Leasing Co., Ltd., Sichuan Pingwu Electricity (Group) Co., Ltd., Shuifu Yangliutan Power Generation Co., Ltd., Sichuan Energy Investment Gaoxian Electricity Co., Ltd., Sichuan Energy Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Hongli Electricity Co., Ltd., Sichuan Energy Investment Yibin Electricity Co., Ltd., Sichuan Energy Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd., and Sichuan Jinwei Grid Construction Co., Ltd;

The subsidiaries of Sichuan Railway Investment Group Co.,Ltd. which are Yibin Yangtze River Bridge Development Co., Ltd., Sichuan Road and Bridge East China Construction Co., Ltd., Sichuan Bahe Shuangfeng Hydropower Development Co., Ltd., Sichuan Road and Bridge Construction Group Co., Ltd., Sichuan Road and Bridge Co., Ltd., Sichuan Road and Bridge Engineering Co., Ltd., Sichuan Road and Bridge Shengtong Construction Engineering Co., Ltd., and Sichuan Road and Bridge Construction Group Traffic Engineering Co., Ltd Ltd., Sichuan balanghe Hydropower Development Co., Ltd., Sichuan Shigao Tianfu New Area Construction and Investment Co., Ltd., Sichuan Road and Aviation Construction Engineering Co., Ltd., Sichuan Railway Construction Co., Ltd., Sichuan Guilian Railway Co., Ltd., and Sichuan Xianghao Construction Engineering Management Co., Ltd.

The subsidiaries of Sichuan transportation Investment Group Co., Ltd which are Chengdu Expressway (West Section) Co., Ltd, Sichuan Chuanxi Expressway Co., Ltd, Sichuan ChengDeNan Expressway Co., Ltd., Sichuan Intelligent Transportation System Management Co., Ltd., Sichuan Duwen Highway Co., Ltd., Sichuan ChengNan Expressway Co., Ltd., Sichuan Zhongtong Expressway Investment Construction Development Co., Ltd., Sichuan Chuandong Expressway Co., Ltd., Sichuan Chuanbei Expressway Co., Ltd., Sichuan South Expressway Development Co., Ltd., Sichuan Dayu Expressway Construction and Development Co., Ltd., Sichuan Bazhong Sichuan High Transportation Investment Co. Ltd., Sichuan NaQian Expressway Co. Ltd., Sichuan Energy Investment Zhongyou Energy Co., Ltd., Chengdu Gaolu Property Service Co., Ltd.

The subsidiaries of Sichuan Salt Company, which are Sichuan Shuncheng Salt Co., Ltd.; The subsidiaries of Sichuan Airlines Co., Ltd., which are Sichuan Airlines Chongqing Airport Catering Co., Ltd., Sichuan Airlines LSG Catering Co., Ltd., Sichuan Aircraft Maintenance Engineering Co., Ltd.; The sub-subsidiary of Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd., Chengdu Wagott Biological Product Co., Ltd.; Sichuan Chengdu Integrated Timber Plant; Guochen Industrial Investment Fund Management Co., Ltd.; Southwest United Equity Exchange Co., Ltd; The subsidiaries of Sichuan Development Environment Investment Co., Ltd. which are Mianzhu Guorun Water Supply Co., Ltd. and Mianzhu Guorun Water Draining Co., Ltd..

Chengdu Huagao Biological Products Co., Ltd. indirectly controlled by Sichuan State-Owned assets Operation and Investment Management Co., Ltd. and Sichuan Innovation Development Investment Management Co., Ltd, the subsidiary of Sichuan Development Equity Investment Fund Management Co., Ltd.' subsidiary

Guochen Industrial Investment Fund Management Co., Ltd.

The subsidiaries of Sichuan Guoke Asset Mangement Co., Ltd, which are Sichuan Deyang Natural Gas Co., Ltd, Deyang Jiuyuan Gas Engineering Co., Ltd and Guanghan City Gas Co., Ltd.

The subsidiaries of Sichuan Development Environment Investment Co., Ltd, which are Xingwen Drainage Company, Xingwen Water Supply Company, Jiang'an Water Supply Company, Jiang'an Drainage company, Mianzhu water supply company, Mianzhu drainage company, Yilong drainage company, Yingjing water supply company, and Hejie water supply company, Shifang water supply company.

The subsidiaries of Sichuan Airline Group Company, which are Sichuan Airlines Chongqing airport Catering Service Co., Sichuan Lufthansa Co., Sichuan Aircraft Maintenance Co. and Sichuan Keruite Co.,

(5). Pursuant to *Notice on the Implementation of the Inclusive Tax Relief Policy for Small and Micro Enterprises issued by State Administration of Taxation* (Cai shui [2019] No.13), Sichuan Airline Wings Co. and its subsidiary Sichuan Chuanhang Holiday International Travel Agency Co., Ltd. meet the income tax preferential conditions for small and micro enterprises. From January 1, 2019 to December 31, 2021, for the part of annual taxable income not more than 1 million yuan, 25% shall be included in the taxable income and 20% shall be paid as enterprise income tax; for the part of annual taxable income exceeding RMB 1 million but not more than RMB 3 million, 50% shall be included in the taxable income and 20% shall be paid as enterprise income tax.

(6). Pursuant to article 4 of *The Circular (trial implementation) on Tibetan preferential policies and investment incentives to encourage investment* (Zang Zhengfa [2018] No.25) issued by People's government of Tibet Autonomous Region that from January 1, 2018 to December 31, 2020, enterprises which engage in *Catalogue of Encouraged Industries in Western Region* and the main revenue accounted for 70% above of the total revenue can implement the preferential tax rate of 15%. The enterprise satisfied

the article 6 can exempted from the local share (6%) from January 1, 2018 to December 31, 2021. Pursuant to the policies above, the following enterprises implement the preferential EIT of 9%:

The subsidiary of Sichuan Jinding Industry and Financial Holdings Limited, a subsidiary company of Sichuan Energy Industry Investment Group Co., Ltd, which registered in the Lhasa Economic and Technological Development Zone: Tibet Jinxinghe Investment Co., Ltd, Tibet Ding Sheng Investment Management Co., Ltd ; The subsidiary Tibet Futian Co., Ltd of Sichuan Railway Investment Group Co., Ltd.

(7). Pursuant to article 4 of *The Circular (trial implementation) on Tibetan preferential policies and investment incentives to encourage investment* (Zang Zhengfa [2018] No.25) issued by People's government of Tibet Autonomous Region that from January 1, 2018 to December 31, 2020, enterprises which engage in Catalogue of Encouraged Industries in Western Region and the main revenue accounted for 70% above of the total revenue can implement the preferential tax rate of 15%. And article 5: if an enterprise meets one of the following conditions, from January 1, 2018 to December 31, 2021, the local share portion of the enterprise income tax payable shall be halved (3%). According to the above policies, the following units are subject to a preferential enterprise income tax rate of 12%: The subsidiary Tibet Property Rights Trading center limited liability company of Southwest United Equity Exchange Co., Ltd.

(8). In accordance with the provisions of the *Circular of the Ministry of Finance Concerning the Printing and Distribution of Measures for Collection of Funds for Repayment of Loans in Rural Power Grids* (Cai Qi [2001] No. 820), Sichuan Hydropower Investment & Management Group Ltd., the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd., is exempted from EIT on revenue from allowance granted by the financial department for funds for repayment of loans in rural power grids.

(9). *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2014] No. 84) issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to "for profit" cultural enterprises upon their conversion from "for-profit" cultural public institutions from 1 January 2014 to December 31 2018. *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2019] No. 16) issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to "for profit" cultural enterprises upon their conversion from "for-profit" cultural public institutions within 5 years. The enterprises which has completed the conversion before December 31, 2018 can further enjoy the exemption from EIT within 5 years since January 1, 2019.

Sichuan Publishing Group Co.,Ltd, Sichuan Xinhua Publishing Group Co., Ltd. and its subsidiary Beijing Shuchuan Winshare Publishing Co. , Sichuan Xinhua Online Co., Sichuan Culture Communications Co. and thirteen publishing house are exempted from EIT to December 31, 2023.

(10). The subsidiaries of Sichuan Development International Holdings Co., Ltd., which are GuoXiang Chengdu Co., Ltd. and GuoXiang Zhanda Co., Ltd. They can enjoy universal tax relief for small and low-profit businesses. Based on *Universal tax relief policy for small low-profit enterprises*(Cai Shui [2019] No. 13), If the amount of annual taxable income does not exceed 1 million yuan, the amount of taxable income shall be reduced by 25%, and the enterprise income tax shall be paid at the rate of 20%. If the amount of annual taxable income exceeds 1 million yuan but does not exceed 3 million yuan, the taxable income shall be reduced by 50%, and the enterprise income tax shall be paid at the rate of 20%.

Pursuant to *Announcement on matters related to delaying the payment of income tax in 2020 for small and low-profit enterprises and individual business* issued by State Administration of Taxation (SAT [2020] No. 10). Also above subsidiaries, After a small low-profit enterprise makes a prepaid declaration in accordance with the regulations in the remaining reporting period of 2020, it may suspend the payment of the current enterprise income tax and postpone the payment of the enterprise income tax to the first reporting period in 2021. At the time of prepayment declaration, small and low-profit enterprises fill in the relevant parts of the prepaid tax return. When filling in the relevant part of the declaration form, these subsidiaries can enjoy the policy of deferred payment of income tax for small low-profit enterprises.

(11). According to *the EIT Benefits Management issued by Sichuan local taxation bureau* (Announcement of Sichuan Local Taxation Bureau [2012] No.1), Sichuan Nongken Baihe Farming Development Co., Ltd. which is a subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. enjoys the income tax exemption preferential policy.

(12). According to *the Notice of EIT Preferential Policy of Small Low-profit Companies* (Cai Shui [2014] No. 34) issued by the Ministry of Finance and State Administration of Taxation of the People's Republic China, For small low-profit companies, the income shall be reduced to 50% of the taxable income, and the enterprise income tax shall be paid at the rate of 20%. The sub-subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. which is Chengdu Neuwied Trading Co., Ltd., The subsidiaries of Sichuan Railway Investment Group Co., Ltd. which are Sichuan Jing Yi Da Engineering Testing Co., Ltd. and Sichuan Luhang Construction Engineering Co., Ltd., The subsidiary of Sichuan Development Asset Management Co., Ltd. which is Mengshan Sichuan Development Industry Investment Management Co., Ltd. is satisfied the preferential qualifications and enjoy the income tax preferential policy.

(13). The subsidiary Sichuan Jiuzhai Huanglong aviation engineering technology limited liability company of Sichuan Transportation Investment Group Co.,Ltd. was certified as encouraged industry project for the state by the Sichuan provincial economic and Information Technology Commission (Chuan

Jing Xin Industry Letter [2013] No. 205) (valid until December 31, 2020), the rate of enterprise income tax shall be subject to the announcement of the preferential tax rate of 15% in the Announcement No. seventh of 2012 by the State Administration of Taxation of the Sichuan.

(14). According to *Guidance catalogue of industrial structure adjustment (version 2011) (revised version)* The first encouraged category, the third-two business services -3 engineering consulting services (including planning and consultation, investment opportunity study, feasibility study, evaluation consultation, engineering survey and design, bidding agency, engineering and equipment supervision, project management, etc.). The subsidiary of Sichuan Transportation Investment Group Co., Ltd, Sichuan Chuangao Engineering and Technical Consulting Co., Ltd. belongs to the encouraging industry, and the income tax is taxed at a reduced tax rate of 15%.

(15). *According to Circular on tax policies related to the in-depth implementation of the Strategy for the Great Development of the Western region* issued by Ministry of Finance, General Administration of Customs, State Administration of Taxation (Cai Shui [2011] No. 58), from January 1, 2011 to December 31, 2020, incentive industrial enterprises located in the western region will be reduced to pay enterprise income tax at the rate of 15%. According to the provisions of *Measures for Handling Preferential Policies of Enterprise Income Tax* (SAT [2018] No.23), the preferential items enjoyed by enterprises shall be handled by the method of "self-estimated, declaration and enjoyment, and retention of relevant materials for reference". Chengdu Xinzhu Road and Bridge Machinery Co., Ltd. and its subsidiary, Chengdu Changke Xinzhu Rail Transit equipment Co., Ltd.,the related industries of the two companies are in line with the relevant regulations on encouraging industries in the preferential tax policy for the development of the western region. Therefore, the enterprise income tax is temporarily paid at the rate of 15% in 2020.

(16). According to *Enterprise income tax Law of the people's Republic of China* (Order of the President of the people's Republic of China No. 63), paragraph 2 of Article 28 and paragraph 1 of Article 30 in it. Shanghai Aowei Technology Development Co., Ltd and Xintu technology Co., Ltd will pay corporate income tax at a reduced rate of 15% from January 1, 2017 to December 31, 2019. According to *Measures for handling preferential policies for Enterprise income tax* (SAT [2018] No.23), the preferential items enjoyed by enterprises shall be handled by the method of "self-estimated, declaration and enjoyment, and retention of relevant materials for reference". As of the date of issuance of this report, the above preferential tax policies have not been changed. Two subsidiaries of Chengdu Xinzhu Road and Bridge Machinery Co., Ltd, Shanghai Aowei Technology Development Co., Ltd and Xintu technology Co., Ltd will temporarily pay 15% of the enterprise income tax in 2020.

(17). According to *Circular on continuing to implement some tax policies on the transformation of for-profit cultural institutions into enterprises in the reform of cultural administrative system* (Cai Shui [2019] No.16)., Enterprise income tax shall be exempted within five years from the date of registration if profit cultural institutions is transformed into an enterprise. Enterprises that have completed their

conversion by December 31, 2018, it can continue to be exempted from enterprise income tax for five years from January 1, 2019. Sichuan Publishing Group Co., Ltd. belongs to a transformed enterprise that enjoy the preferential policy.

(18). According to *Circular on reduction or exemption of enterprise income tax on technology transfer income* issued by State Administration of Taxation (SAT [2009] No.212), *Circular on Enterprise income tax Policy issues related to Technology transfer of resident Enterprises* issued by State Administration of Taxation (Cai Shui [2010] No.111), *Circular on issues related to the reduction or exemption of Enterprise income tax from Technology transfer income* issued by State Administration of Taxation (SAT [2013] No.62, *Circular on implement the relevant tax pilot policies of the national independent innovation demonstration zone to the whole country* issued by State Administration of Taxation (Cai Shui [2015] No.116, *Circular on relevant issues of Enterprise income tax derived from Technology transfer of Licensing right* issued by State Administration of Taxation (SAT [2015] No.82, and other relevant tax policies and regulations. Within a tax year, ownership of other technologies or global exclusive license for more than 5 years (including 5 years) and income derived from the transfer of a non-exclusive license for more than 5 years (including 5 years) as determined by the Ministry of Finance and the State Administration of Taxation. The part not exceeding 5 million yuan shall be exempted from enterprise income tax; the part exceeding 5 million yuan shall be halved from enterprise income tax. The subsidiary of Sichuan Development Environment Investment Group, Zhonghengneng Environment Co., Ltd, LaixiHengneng Co., Ltd, RushanHengneng Co., Ltd and DongyingHengneng Co., Ltd. If the income from technology transfer that meets the above conditions does not exceed 5 million yuan in 2019, the enterprise income tax shall be exempted; If the amount exceeds 5 million yuan, the enterprise income tax shall be halved.

(19). Nanjing Yinmao Lead-zinc Mining Co. Ltd, had obtained GR201832001454 High-tech Enterprise Certificate issued by Jiangsu Department of Finance, Jiangsu State Administration of Taxation and Jiangsu Provincial Administration of Taxation. The certificate is valid for three years, from January 1, 2018 to December 31, 2020. According to the national income tax law, the company's enterprise income tax in 2020 is calculated at 15%.

(20). Meishan Chuanfa Industrial Investment Management Co., Ltd. is a small and micro enterprise which is the second-tier subsidiary of Sichuan Financial Holding Group Co. Ltd, thus, the enterprise income tax shall be paid in accordance with the preferential policy of 20%.

4. Properties tax

It is calculated on the basis of 70% of the original value of the property at the rate of 1.2%; and leased properties is levied at 12% of rental income received.

According to *The outline of the National medium-term and long-term Plan for Scientific and technological development (2006-2020)*, a number of supporting policies have been adopted. For qualified technology business incubators, National University Science and Technology Park. From the date of confirmation, the property tax shall be exempted within a certain period of time. The subsidiary of Chengdu Xinzhu Road and Bridge Machinery Co., Ltd, Shanghai Aowei Technology Development Co., Ltd. which located in Shanghai Zhangjiang High-tech Park, so it enjoys the preferential policy of exemption from real estate tax.

5. Other taxes

They are paid according to the regulations of the State and the competent tax authorities in addition to the following circumstances.

Pursuant to *the Land Use Tax Exemption Provisions of Electricity Industry issued by State Administration of Taxation of the People's Republic China* (Guo Shui Di [1989] No.13), After the registration and approval by the Local Taxation Bureau, the land for the transformer station of Sichuan Hydropower Investment Management Group Kaijiang Moon Electric Power Co., Ltd. which is the subsidiary of Sichuan Energy Investment Group Co., Ltd. is exempted from the land use tax.

Pursuant to Cai shui [2006] No.17, Sichuan Railway Group and its subsidiary Sichuan Railway Construction Co. are satisfied the relevant stipulations on the exemption of real estate tax and urban land use tax for self use real estate and land and are filed.

Pursuant to *Circular on extending the preferential policy of value-added tax, real estate tax, urban land use tax for heating enterprises* (Cai Shui [2019] No.38), the subsidiary of Sichuan Development Environment Investment Co., Ltd, Junan Qingxin Co., Ltd., For heating enterprises that charge heating fees for heating to residents from January 1, 2019 to December 31, 2020, the factories and land used for heating for residents shall be exempted from real estate tax and urban land use tax.

VI. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. General information of second-level subsidiaries included in consolidated financial statements during the year (unit: ten thousands)

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
1	Sichuan Railway Investment Group Co., Ltd.	Railway Investment Group	2	1	Chengdu	Investment in and construction, operation and management of local railways and jointly operated railways in Sichuan	2,000,000.00	100.00	100.00	3,041,881.29	4
2	Sichuan Transportation Investment Group Co., Ltd	Sichuan Sransportation	2	1	Chengdu	Management of investment in and construction and operation of major transportation infrastructure	3,500,000.00	100.00	100.00	7,934,894.03	4
3	Sichuan Energy Industry Investment Group Co., Ltd.	Energy Investment Group	2	1	Chengdu	Energy project investment and management	931,600.00	100.00	100.00	1,100,609.22	4
4	Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd.	Industry Fund	2	1	Chengdu	Equity investment and relevant advisory services	300,000.00	100.00	100.00	300,000.00	1
5	Sichuan Xinhua Publishing Group Co., Ltd.	Xinhua Group	2	1	Chengdu	Book issuing and sales	59,382.20	100.00	100.00	285,625.86	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
6	Sichuan Airlines Group Co.,Ltd	Airlines Group	2	1	Chengdu	Domestic air transport and air service	21,500.00	100.00	100.00	73,387.64	4
7	Sichuan Salt Company	Salt Industry Corporation	2	1	Chengdu	Salt and salt products	17,676.60	100.00	100.00	88,969.69	4
8	Sichuan Publishing Group Co.,Ltd	Publishing Group	2	1	Chengdu	Book editing, publishing, issuing and printing	50,000.00	100.00	100.00	149,954.39	4
9	Sichuan Mineral Investment Group Co., Ltd	Mineral Investment Group	2	1	Chengdu	Project investment, commodity wholesale and retail	19,000.00	100.00	100.00	33,669.78	4
10	Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd.	State-Owned Assets Operation	2	1	Chengdu	Project investment and advisory services, supervision and management of operation of and gains from State-owned assets	50,000.00	100.00	100.00	212,342.71	4
11	Sichuan State-Owned Assets Investment Administrator Co., Ltd	State-Owned Assets Investment	2	1	Chengdu	Project investment, operation and management, etc.	11,264.00	100.00	100.00	40,972.91	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
12	Sichuan Provincial Nonferrous Technology Group Co., Ltd.	Nonferrous Technology	2	1	Chengdu	Metallic material, metallurgical research, etc.	2,880.00	100.00	100.00	1,882.08	4
13	Sichuan Chengdu Integrated Timber Plant	Timber Integrated Factory	2	1	Chengdu	Project investment, property management, etc.	5,018.00	100.00	100.00	2,293.94	4
14	Sichuan Rural and Urban Development Investment Co,. Ltd	Sichuan Rural Investment	2	1	Chengdu	Project investment, Assets management, Investment management and consultation	1,200,000.00	100.00	100.00	400,000.00	1
15	Sichuan Sanxin Investment Co., Ltd.	Sanxin Company	2	1	Chengdu	Project investment, assets management	150,500.00	100.00	100.00	149,500.00	1
16	Guochen Industrial Investment Fund Management Co., Ltd.	Guochen Fund	2	1	Chengdu	Equity (industry) investment fund management, etc.	4,950.00	100.00	100.00	4,826.21	1
17	Southwest United Equity Exchange Co., Ltd	Southwest Equity	2	1	Chengdu	Equity transaction etc.	10,000.00	50.00	50.00	5,000.00	1
18	Sichuan Development Equity Investment Fund Management Co. Ltd.	Equity Fund	2	1	Chengdu	Equity investment management and relevant advisory	10,000.00	100.00	100.00	10,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						services					
19	Sichuan Development International Holding Company Limited.	Development International	2	1	Hong Kong	Project investment, Assets management, etc.; Overseas subsidiary.	149,254.81	100.00	100.00	149,842.23	1
20	Sichuan Development Guokang Energy Investment Co., Ltd	Guokang Investment	2	1	Chengdu	Exploration and sale of phosphate	10,000.00	100.00	100.00	846.24	3
21	Sichuan Water Environmental Protection Equity Investment Center (limited partnership)	Water Environmental Protection	2	1	Chengdu	Equity investment and consultative services for nonpublic shares exchange	5,931.37	69.44	69.44	4,119.00	1
22	Sichuan Development City Construction Investment Co., Ltd	Development City Construction	2	1	Chengdu	Investment and Assets management, Water conservancy projects, urban and rural water supply and drainage,aquaculture, water environment	200,000.00	100.00	100.00	169,919.30	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						control					
23	Beichuan Development Investment Co., Ltd.	Beichuan Company	2	1	Beichuan Qiang Autonomous	Investment and asset management; enterprise management consulting;	1,000.00	100.00	100.00	3,000.00	1
24	Sichuan Development Environment Investment Co., Ltd.	Environment Investment	2	1	Chengdu	water, sewage treatment and investment of environmental protection projects, design, construction, operation management, technical development, technical consultation and technical service	300,000.00	100.00	100.00	311,390.46	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
25	Sichuan Development Industry Lead Equity Investment Fund Management Co., Ltd.	Lead Equity	2	1	Chengdu	Asset management, investment advisory, financial advisory	10,000.00	100.00	100.00	8,000.00	1
26	Sichuan Guoyuan Agriculture Investment Co., Ltd.	Guoyuan Agriculture Investment	2	1	Xichang	Investment in modern agricultural projects, operation management, investment in land development	50,000.00	65.00	65.00	6,500.00	1
27	Sichuan Development Mining Investment Co., Ltd.	Development Mining	2	1	Chengdu	Mining investment and management, mineral product sales	100,000.00	100.00	100.00	230,213.18	1
28	Sichuan Shengtian New Energy Development Co., Ltd	Shengtian New Energy	2	1	Chengdu	Infrastructure construction projects, rail transit projects, municipal road projects	161,100.00	51.60	51.60	89,200.71	1
29	Sichuan Development Rail Transit Industry Investment Co., Ltd	Development Rail Transit	2	1	Chengdu	infrastructure construction projects, rail transit	150,000.00	100.00	100.00	143,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						projects,Smart city project investment and related business					
30	Sichuan Financial Holding Group Co.	Financial Holding	2	1	Chengdu	Project Investment, Asset Management, Investment Consultation, Financial Research	3,000,000.00	100.00	100.00	735,517.90	1
31	Sichuan Development Xingchuan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xingchuan Fund	2	1	Chengdu	Investment, consultation	501,000.00	22.71	100.00	75,533.33	1
32	Sichuan Development Modern Service Industry Investment Group Co., Ltd	Modern Service Co.	2	1	Chengdu	Investment. Asset management, Estate management, advertisement	100,000.00	100.00	100.00	157,721.92	1
33	Sichuan Development Xingzhan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xinzhan Fund	2	1	Chengdu	Investment, consultation	321,000.00	10.00	100.00	30,000.00	1
34	Sichuan Development Guohui	Guohui Microcredit	2	2	Chengdu	Loan, Equity	50,000.00	100.00	100.00	50,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
	Microcredit Co.					Investment					
35	Tianfu(Sichuan) Credit Enhancement Co.	Credit Enhancement Co.	2	1	Chengdu	Credit Enhancement, Consultation,	400,000.00	70.00	70.00	280,000.00	1
36	Chengdu Xinzhu Road and Bridge Machinery Co., Ltd.	Xinzhu Co.	2	1	Chengdu	Design and construction for mental bridge and bridge material	65,473.30	29.34	29.34	134,952.80	3
37	Sichuan Ouyalutai Business Co.	Ouya Co.	2	1	Chengdu	Trade agency, goods freight, import and export of goods and technology, warehouse, new energy development	10,000.00	90.00	90.00	9,000.00	1
38	Sichuan Development Investment, Construction of Emerging Industrial Park Co	Industrial Park	2	1	Chengdu	Construction , investment, operation, management of industrial Park; asset management, real estate	90,000.00	100.00	100.00	45,000.00	1
39	Beijing Chuanfa Investment and	Beijing Chuanfa	2	1	Beijing	Consulting, Hotel	50,000.00	100.00	100.00	40,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
	management Co.					management, financial advisory, property management					
40	Sichuan Development Big Data Investment Co. Ltd.	Big Data	2	1	Chengdu	Investment management, Investment consulting, Date processing and storage, information system integration service	200,000.00	100.00	100.00	88,000.00	1
41	Sichuan Runheng Development Equity Investment Fund Management Co., Ltd.	Runheng Fund	2	1	Chengdu	Entrusted with the management of equity investment enterprises, engaged in investment management and related advisory services	2,000.00	80.00	80.00	1,600.00	1
42	Sichuan Development Leading Capital Management Co., Ltd	Leading Capital	2	1	Chengdu	Project investment, entrusted asset	40,000.00	100.00	100.00	40,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						management, investment management, investment consultation and financial consultation					
43	Sichuan Development Ruixin Investment Co., Ltd.	Ruixin Investment	2	1	Chengdu	Project Investment, land arrangement	60,000.00	51.00	51.00	6,120.00	1
44	Nanjing Yinmao Lead and Zinc Mining Co., Ltd.	Nanjing Yinmao t	2	1	Chengdu	Project investment and Assets Arrangement	5,644.00	80.00	80.00	94,161.46	3
45	Sichuan Shuxi Investment Co.	Shuxi	2	1	Chengdu	Equity Investment and related advisory, Project investment, asset management, investment information advisory	1,000.00	100.00	100.00	1,000.00	1
46	Sichuan Guoke Asset	Guoke	2	1	Mianyang	Asset management,	25,559.80	60.00	60.00	15,335.88	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
	Mangement Co.					asset investment, other services related to capital market, enterprise management, business service					
47	Sichuan Development Xingrui Investment Co., Ltd.	Development Xingrui	2	1	Chengdu	Project investment and investment consultation.	50,000.00	100.00	100.00	200.00	1
48	Sichuan Xinzhu Tonggong Automobile Co., Ltd.	Xinzhu Tonggong	2	1	Ya'an	Vehicle sales	28,529.41	69.48	69.48	36,240.52	3

Note 1: Business type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. Overseas subsidiary; 4. institution; 5. infrastructure construction subsidiary.

Mode of acquisition: 1. establishment by investment; 2. business combination under common control; 3. business combination not under common control; 4. company with contribution made by the provincial government in accordance with Chuan Fu Han [2008] No. 330 document.

Note 2: Where the proportion of shareholding is inconsistent with the voting power percentage, it shall be deemed as a result of combination of non-wholly-owned shareholding subsidiaries.

2. Companies holding more than half of voting rights but not included in the consolidation (unit: RMB '0000')

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
1	Xinzhu Co.	29.34	29.34	65,473.30	134,952.80	2	Substantive control
2	Sichuan Sunfor Light Co.,Ltd.	38.59	38.59	12,457.00	65,759.76	3	Substantive control
3	Sichuan New Energy Power Co., Ltd.	30.30	30.30	127,000.00	139,108.94	3	Substantive control
4	Sichuan Energy Investment Deveolopment Co.	39.03	39.03	107,435.77	154,478.07	3	Substantive control
5	Chuanhang Engine Maintenance Co.	31.00	51.00	500.00	155.00	3	Substantive control
6	Sichuan Cultural Industry Equity Investment Fund Partnership (limited partnership)	11.90	11.90	84,000.00	10,000.00	3	Substantive control
7	Sichuan Road & Bridge Construction Group Co., Ltd	41.89	41.89	361,052.55	198,119.11	3	Substantive control
8	Sichuan Chenglan Railway Investment Co., Ltd	44.00	44.00	213,000.00	125,800.00	3	Substantive control
9	Sichuan Xingshu Railway Investment Co., Ltd	31.78	31.78	343,000.00	343,874.22	3	Substantive control
10	Chengyu Financing Leasing Co.	35.87	35.87	305,806.00	269,292.19	3	Substantive control
11	Beijing SPC Environment Protection Tech Co., Ltd. (hereinafter referred to as	25.31	25.31	108,127.21	27,367.00	3	Substantive control

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
	Beijing SPC						
12	Sichuan Development Xingcheng Equity Investment Fund Partnership (limited partnership)	19.95	19.95	376,000.00	75,000.00	3	Substantive control

3. Companies holding less than half of voting rights which are included in the consolidation (unit: RMB '0000')

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
1	Sichuan Publishing Foreign Trade Company	100.00	100.00	70.73	70.73	3	Liquidation declared
2	Sichuan Xinhua Travel Agency Co., Ltd.	100.00	100.00	30.00	25.00	3	Liquidation declared
3	Sichuan Kangding Airport Group Co., Ltd	70.00	70.00	5,000.00	148,671.78	3	No substantive control
4	Sichuan Airlines Property Management Co., Ltd.	100.00	100.00	60.00	60.00	3	Entrusted operation, uncontrolled
5	Deyang Zhengxing Glassfiber Investment Center (Limited Partnership)	81.63	81.63	6,125.00	5,000.00	3	No substantive control
6	Sichuan Lujie Information Engineering Co., Ltd.	60.00	60.00	200.00	120.00	3	Revoked, but not cancelled
7	Beijing Huading New Power Equity Investment Fund (limited partnership)	97.08	97.08	—	466,900.00	3	No substantive control
8	Sichuan Port & Channel Investment Group Co., Ltd	90.71	90.71	937,000.00	1,097,041.90	3	No substantive control
9	Chengdu fuheqiao Business Development Co., Ltd	100.00	100.00	200.00	7,080.00	3	Existing limit in control
10	Sichuan Fuhe Huayi Real Estate	100.00	100.00	2,500.00	30,913.58	3	Existing

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
	Co., Ltd						limit in control
11	Sichuan Wudu Power Station Co., Ltd.	60.00	40.00	5,000.00	31,593.43	3	No substantive control

4. When there is any inconsistency on the accounting policies adopted between subsidiaries and the Group, the approach adopted when preparing consolidated financial statements

(1) Inclusion of overseas subsidiaries, capital construction units and institutions in the consolidation and method of consolidation

If an overseas subsidiary should be included in the consolidation in accordance with the Accounting Standards for Business Enterprises, the Group translates its financial statements into those denominated in RMB according to Note III (8) ‘‘Method of Accounting and Translation of Foreign Currency Business’’, and takes the RMB financial statements translated as the basis of preparation of the consolidated financial statements. If there is any inconsistency on the accounting year between an overseas subsidiary and the Group, the Group requires such overseas subsidiary to otherwise prepare supplementary financial statements according to the accounting year of the Group as the basis of preparation of consolidated financial statements.

(2) Special accounting policies of subsidiaries

1) Micro loans company

Provision for impairment of loan, including: general provision, special provision and specific provision. General provision is provided in accordance with certain ratio of the loan balance, and is provided for unidentified potential loss; Special provision is made in accordance with Guidance on Classification of Risk on Loan. Provision is made according to the loss degree for each loan after the classification of loan risk, and the provision is provided for special loss; Specific provision is made in accordance the distribution of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance and is used for the potential loss caused by systematic risk.

Provision for entrusted loan loss is made in accordance with principles of 5 degree classification of loan; provision is made based on the judgment of systematic risk of the entrusted loan.

Provision for impairment of loan and escrowed loan method:

Category	Level	Provision ratio	Basis for provision
(1)General provisions		1.00%	Loan balance as at each end of quarter
(2) Special provisions			At the end of each quarter, each loan is classified in accordance with the principles of 5 degree of classification of loan and provision is made according to corresponding provision ratio
Normal	Normal degree one	0.00%	
	Normal degree two	0.00%	
	Normal degree three	0.50%	
Concern	Concern degree one	1.00%	
	Concern degree two	1.50%	
	Concern degree three	2.00%	
Sub-degree	Sub-degree one	20.00%	
	Sub-degree two	25.00%	
Suspicious		50.00%	
Loss		100.00%	
(3) Specific provisions	provision is made in accordance the distribution of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance as at the year end and is used for the potential loss caused by systematic risk		

2) Financial Guaranty Company

The unearned premium reserve and guarantee compensation reserve are withheld according to Interim Measures for the Administration of Financing Guarantee Companies ([2010]No. 3) jointly issued by China Banking Regulatory Commission ,National Development and Reform Commission, Ministry of Industry and Information Technology of the People's Republic of China, Ministry of Finance, Ministry of Commerce, Bank of China and State Administration for Industry & Commerce of the Peoples' Republic of China.

The unearned premium reserve: 50% of premium income for the year.

The guarantee compensation reserve: 1% of guarantee liability balance as at the end of the year. If the accumulated guarantee compensation reserve reached 10% of the guarantee balance, then difference

amount method is used for the provision of guarantee compensation reserve.

5. Details of the current period of the new incorporation into the scope of the important secondary subject

Name	Percentage of shareholding (%)	Net Assets As of the end of the year	Net Profit for the year	Notes
Xinzhu Tonggong	69.48%	236,093,041.45	-12,774,747.36	business combination

6. Details of second-level entities not to be included in the consolidation during the year

None

7. Details of business combination under the same control in this period

None

8. Details of major business combination not under the same control during the year (unit: 10 thousand)

Name	Purchase date	Carrying Amount (0000)	Fair value of Recognized net assets (0000)		Transaction considerations (0000)	Goodwill/non-operating income	
			Amount	Recognition basis		Amount	Confirmation basis
Xinzhu Tonggong	2020-6-30	23,609.30	26,717.47	Asset basis	26,601.42	12,975.51	The difference between the share of identifiable net assets and the payment

Note: Sichuan Development Rail Transit Industry Investment Co., Ltd transferred a 51% stake in Xinzhu Tonggong held by Sichuan Tianfu Hongwei Civil military integration Development Equity Fund. The transferred price is 266.0142 million yuan.

9. Counter purchase during the year.

None

10. Merger by amalgamation during the year

None

VII. EXPLANATION OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Among the data of financial statements disclosed below, except specifically indicated, ‘‘beginning of the period’’ refers to January 1, 2020 ‘‘the end of the period’’ refers to June 30, 2020, ‘‘current period’’ refers to be from January 1, 2020 to June 30, 2020, ‘‘previous period’’ refers to be from January 1, 2019 to June 30, 2019 and the currency unit is RMB except otherwise indicated.

1. Cash and cash equivalents

(1) Balance of Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	82,460,122.16	32,233,061.14
Bank deposit	104,443,003,710.98	109,127,734,107.85
Other monetary funds	13,860,641,693.95	6,387,791,855.12
Total	**118,386,105,527.09**	**115,547,759,024.11**

(2) Restricted use at the end of this year

Item	Amount	Reason for restricted use
Bank deposit *1	41,871.83	Long-term suspension account
Bank deposit	1,232,776,606.96	Deposit out investment funds, loan pledge certificates of deposit, etc
Bank deposit	970,888,646.03	Notes guarantee, letter guarantee, and credit guarantee etc.
Bank deposit*2	13,848,504.24	Frozen capital
Other monetary funds	1,738,621,229.99	Notes guarantee, letter guarantee, and credit guarantee etc.
Total	**3,956,176,859.05**	—

*1. Mainly the long-term suspension account of State-Owned Assets Investment totaling 41,871.83.

*2. The mainly frozen capital is the capital of Southwest Equity totaling RMB 5.64 million and Guoke totaling RMB 7.40 million.

2. Held-for-trading financial assets

Item	Fair value as of the end of the period	Fair value as of the beginning of the period
Trading financial assets	1,816,706,189.15	1,561,406,533.02
Wherein: Debt instrument investment		
Equity instrument investment	171,587,348.90	189,492,050.15
Others	1,645,118,840.25	1,371,914,482.87
Financial assets designated to be measured at fair value		

Item	Fair value as of the end of the period	Fair value as of the beginning of the period
with changes in fair value recognized in profit or loss		
Wherein: Debt instrument investment		
Equity instrument y investment		
Others		
Total	**1,816,706,189.15**	**1,561,406,533.02**

The Group's held-for-trading financial assets are mainly bank financial products with a term of less than one year purchased by Xinhua Group and shares of A-share listed companies. The fair value of bank financial products is determined based on the discounted cash flow method.

3. Financial asset at fair value through profit or loss

Item	Fair value as of the end of the period	Fair value as of the beginning of the period
Trading financial assets	**3,207,606,030.55**	**3,125,039,638.24**
Wherein: Debt instrument investment	59,457,761.00	91,692,373.54
Equity instrument investment	2,808,062,957.32	2,788,207,589.36
Others	340,085,312.23	245,139,675.34
Financial assets designated to be measured at fair value with changes in fair value recognized in profit or loss	**1,890,186,756.62**	**1,024,326,441.28**
Wherein: Debt instrument investment		
Equity instrument y investment*1	1,608,002,468.62	408,079,232.88
Others	282,184,288.00	616,247,208.40
Total	**5,097,792,787.17**	**4,149,366,079.52**

4. Notes receivable

(1) Notes receivable

Item	Ending Balance	Beginning Balance
Bank acceptance notes	747,609,189.58	939,395,451.05
Commercial acceptance notes	328,339,100.69	524,037,822.97
Total	**1,075,948,290.27**	**1,463,433,274.02**

(2) Notes receivable which have been pledged but not yet due at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance notes	73,720,000.00
Commercial acceptance notes	-
Total	**73,720,000.00**

(3) Notes receivable which have been endorsed or discounted but not yet due at the end of the period

Item	Amount whose recognition is terminated at the end of the period
Bank acceptance notes	902,778,221.42
Commercial acceptance notes	677,389,606.54
Total	**1,580,167,827.96**

5. Accounts receivable

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Significant individual receivables with bad debt provision made on individual basis	1,978,536,646.01	263,240,362.46	1,871,879,337.90	248,343,323.90
Accounts receivable for which provision for bad debts is made by combination	——	——	——	——
Receivable toll revenue combination	165,307,631.31		58,172,047.80	
Receivable related party combination	479,555,520.71	6,214,546.19	356,399,179.45	4,928,021.75
Aging combination	21,366,667,496.92	1,398,563,627.71	18,282,198,510.44	1,282,431,187.30
Credit of trading parties combination	3,421,277,185.11	60,968,138.86	3,870,525,745.13	88,438,148.92
ECL losses model	475,022,811.33	135,910.00	469,569,419.55	135,910.00
Subtotal	25,907,830,645.38	1,465,882,222.76	23,036,864,902.37	1,375,933,267.97
Insignificant individual receivables but with bad debt provision made on individual basis	1,601,431,891.62	701,928,963.57	1,697,382,752.43	675,871,859.95
Total	**29,487,799,183.01**	**2,431,051,548.79**	**26,606,126,992.70**	**2,300,148,451.82**

(1) Receivables with bad debt provision made on aging combinations basis

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within one year	16,290,989,419.40	216,748,493.92	14,264,397,754.00	335,797,574.57
1-2 years	2,944,789,753.47	362,210,165.01	2,538,369,323.57	270,818,130.10
2-3 years	1,167,958,815.47	274,327,068.39	712,322,518.01	188,791,607.34
3-4 years	501,611,107.28	207,279,867.60	363,182,763.19	172,197,499.17
4-5 years	277,867,375.93	170,860,920.51	218,003,147.31	145,710,126.66
Over 5 years	183,451,025.37	167,137,112.28	185,923,004.36	169,116,249.46
Total	**21,366,667,496.92**	**1,398,563,627.71**	**18,282,198,510.44**	**1,282,431,187.30**

(2) The detail of account receivables within related parties' group was in Note XI. 3

(3) Significant individual receivables with bad debt provision made on individual basis

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
China Datang Co. Ltd.	821,916,949.21	32,904,863.70	4.00	Present value of future cash flow lower than the book value
Sichuan Xiangling Industrial Co.	268,009,154.06	230,335,498.76	85.94	Present value of future cash flow lower than the book value
Transportation Bureau of Enyang District, Bazhong City	263,525,741.31	-		No risk of impairment
China Railway City Development and Investment Group Co. Ltd	250,219,865.00	-		No risk of impairment
Suining Jinqiao Administration Commission	134,127,265.00			No risk of impairment
Ningbo Pinli Trading Co., Ltd	121,080,000.00			No risk of impairment
Jianyang Transportation Bureau - Jianji engineering coordination Headquarters Office	119,657,671.43			No risk of impairment
Total	**1,978,536,646.01**	**263,240,362.46**	—	

(4) Major individual receivables that bad debt provision made on individual basis with the single amount above RMB 10 million at the end of current period.

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Fujian Funeng Power Fuel Co., Ltd	68,591,260.00	54,873,008.00	80.00	Based on expected loss
Mianyang Guangyou Network Technology Co., Ltd.	40,460,090.79	40,460,090.79	100.00	Based on expected loss
Sichuan No.1 Construction Engineering Company	29,746,220.83			No risk of impairment
Cangxi Datong Natural Gas Investment Co., Ltd	28,227,627.15	28,227,627.15	100.00	Based on expected loss
Xingwen Five-star Mining Co.	26,360,067.97	10,237,587.34	38.84	Based on expected loss
Guanghan Jiutian Polymer Materials Company	26,412,802.07	18,381,271.24	69.59	Based on expected loss

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Chengdu Pengyue Furniture Co.	24,037,839.28	3,672,600.80	15.28	Based on expected loss
Sichuan Dongming Trading Co.	22,654,039.37	2,989,789.60	13.20	Based on expected loss
Chengdu Jinzhu Auto Parts Manufacturing Co., Ltd	20,236,414.61	1,753,531.51	8.67	Based on expected loss
Mianyang Ruifeng Construction Co.	20,000,000.00	3,493,155.94	17.47	Based on expected loss
State Grid Sichuan Electric Power Company	19,062,458.82	19,062,458.82	100.00	Based on expected loss
Xingwen Zizhong Mining Co.	18,937,961.00	10,237,587.34	54.06	Based on expected loss
Sichuan Longmang Phosphorus Chemical Co., Ltd	17,536,798.47			No risk of impairment
Guangan Ruifengda Trading Co.	17,494,244.62	12,720,974.93	72.72	Based on expected loss
Sichuan Guangrong Fastening Material Co., Ltd	17,276,376.66	3,926,059.66	22.73	Based on expected loss
Sichuan Jiaqi Petrochemical Co., Ltd	16,919,643.94	2,203,527.04	13.02	Based on expected loss
Nanchong Tiantangniao Paint Co.,Ltd.	16,236,122.80	8,162,959.07	50.28	Based on expected loss
Sichuan Xingming Glassware Co.	15,851,172.44	12,155,844.80	76.69	Based on expected loss
Luzhou Xinglu Asphalt Co., Ltd. sales branch	15,666,492.60	5,003,737.65	31.94	Based on expected loss
Sichuan Junengda Construction Material Co., Ltd	15,633,874.50	4,690,162.35	30.00	Based on expected loss
Chengdu Jiulong Trading Chains Co.	15,302,611.17	4,942,368.05	32.30	Based on expected loss
Pangzhihua Deyong Industry Trading Co, Ltd.	15,170,300.00	2,989,789.60	19.71	Based on expected loss
Meishan Xinhua Paper Printing Co., Ltd.	15,000,000.00	4,942,368.05	32.95	Based on expected loss
China Huaxi Enterprise Co., Ltd	15,000,000.00			No risk of impairment
Chengdu Huite Feeds Co.	14,727,038.73	10,222,086.78	69.41	Based on expected loss
Shanghai Yunbin Trading Co., Ltd	14,187,500.00	14,187,500.00	100.00	Based on expected loss
Leshan Zhiyuan Highland Mining Co., Ltd	13,892,604.70	1,350,540.13	9.72	Based on expected loss
Chengdu Juye Garden Greening Engineering Co., Ltd.	13,702,653.49	1,842,068.77	13.44	Based on expected loss
Sichuan Yunxiang Printing Industrial Co.	13,623,627.07	6,026,665.07	44.24	Based on expected loss
Chengdu Hengrun High Tech Co., Ltd	13,500,000.00	2,060,060.12	15.26	Based on expected loss
Chengdu Paier Express Co., Ltd	13,211,943.19	1,412,474.47	10.69	Based on expected loss
Rongxian Peihua Trading Co.	12,851,256.31	10,202,255.43	79.39	Based on expected loss

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Sichuan Wanxin Water Conservancy and Hydropower Equipment Co., Ltd	12,656,704.22	12,656,704.22	100.00	Based on expected loss
Sichuan Kunlun Textile Co., Ltd	12,246,268.44	1,128,364.22	9.21	Based on expected loss
Sichuan Chemical Holding (Group) Co., Ltd	11,885,487.45			No risk of impairment
Luzhou Huashang Clothing Co., Ltd	11,324,155.06	7,046,498.12	62.23	Based on expected loss
China Nuclear Industry Zhongyuan Construction Co., Ltd	10,614,100.00			No risk of impairment
Yibin Junlian Dingxin Electromechanical Equipment Co., Ltd	10,526,647.59	7,028,695.10	66.77	Based on expected loss
Sichuan Yibin Yaoqi Blasting Engineering Co., Ltd	10,508,844.57	6,007,469.11	57.17	Based on expected loss
Yibin Hongloumeng Jinchai Distillery Marketing Co.,Ltd.	10,391,757.17	3,124,020.90	30.06	Based on expected loss
Suining Yuao Textile Co., Ltd	10,323,623.06	1,634,405.38	15.83	Based on expected loss
Leshan Yanlin Construction Co.	10,271,604.00	5,023,214.15	48.90	Based on expected loss
Sichuan Guangyou Risheng Integrated Marketing Diffusion Co.,Ltd.	10,222,086.78	3,307,866.67	32.36	Based on expected loss
Sichuan Guangrong Technology Co., Ltd	10,195,152.22	6,026,665.07	59.11	Based on expected loss
Chengdu Teante Trading Co	10,065,378.47	4,990,089.44	49.58	Based on expected loss
Gaoxian Xinli Chemical Co., Ltd	10,021,508.99	10,021,508.99	100.00	Based on expected loss
Sichuan Taiqing Building Materials Trade Co., Ltd	10,000,000.00			No risk of impairment
Others(Total of entities lower than 10 million)	792,667,531.02	331,503,311.70	41.82	Based on expected loss
Total	**1,601,431,891.62**	**701,928,963.57**		

(5) Provisions made by ECL losses models are the provisions made by the subsidiaries which have adopted New Financial Standards.

(6) The top 5 account receivables in order of the ending balance of debtors

Debtor	Book balance	Percentage of total accounts receivable（%）	Bad debt provision
State Grid Sichuan Electric Power Co.	1,210,311,682.60	4.10	19,062,458.82
China Datang Co. Ltd.	821,916,949.21	2.79	32,904,863.70
Customer A of Xinzhu Co	763,447,758.92	2.59	7,634,477.59

Debtor	Book balance	Percentage of total accounts receivable（%）	Bad debt provision
State Grid Sichuan Electric Power Co.	1,210,311,682.60	4.10	19,062,458.82
Government of Yilong	308,726,008.00	1.05	
Powerchina Chengdu Engineering Co., Ltd	278,275,818.83	0.94	

6. Prepayment

(1) Age of prepayment

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year(inclusive)	8,723,449,788.50	285,894.97	6,638,988,229.14	1,368.00
1－2 years	1,363,981,092.21	10,921,496.93	780,468,020.17	10,917,693.19
2－3 years	409,115,074.65	25,131,957.30	314,818,794.07	26,202,590.20
Over 3 years	512,870,439.62	56,460,730.68	513,200,378.84	55,390,097.78
Total	**11,009,416,394.98**	**92,800,079.88**	**8,247,475,422.22**	**92,511,749.17**

(2) Large-amount prepayment with an age of over 1 year

Company Name	Balance	Age	Cause of unsettlement
Renshou Public Resources Trading Center	148,122,450.00	Over 3 years	Not yet delivered
China MCC5 Group Co., Ltd	94,326,226.98	2-3 years	Project Unsettled
Tongjiang Wanxin Investment Management Co., Ltd	64,872,500.00	Over 3 years	Settlement conditions not met
Shanghai Shize Industrial Development Co., Ltd	50,094,000.00	2-3 years	Litigation filed
Sichuan Chemical Holding (Group) Co., Ltd	50,000,000.00	Over 3 years	Prepayment of equity
Sichuan Logistics Industry Co., Ltd	40,000,000.00	Over 3 years	Unsettled
Sichuan Lianyirunda Trading Co., Ltd	28,178,736.77	within 3 years	Unsettled
Mianning Investment Development Co., Ltd	25,000,000.00	2-3 years	Settlement conditions not met
Ziyang Resource Power Group Co., Ltd	19,160,135.60	2-3 years	Settlement conditions not met
Sinosteel Sichuan Co., Ltd	18,194,113.75	2-3 years	Settlement conditions not met
Chongqing Chuyu Petroleum Sales Co., Ltd	16,424,100.00	2-3 years	Unsettled
Jiangsu Yueda Carter new energy Co., Ltd	14,516,598.50	2-3 years	Unsettled
Sichuan Jietong Transportation Technology Co., Ltd	13,909,065.32	2-3 years	Unsettled
Sinohydro bureau 3 Co., Ltd	13,000,000.00	Over 3 years	Settlement conditions not met
Jiangsu Senyue Supply Chain Management Co., Ltd	12,647,433.94	2-3 years	Settlement conditions not met

Company Name	Balance	Age	Cause of unsettlement
Quxian branch of Sichuan Zhongya Urban Investment Construction Co., Ltd	11,010,732.08	2-3 years	Contract not completed
Sichuan Xiongwei Construction General Contracting Co., Ltd	10,708,572.00	2-3 years	Contract not completed
Sichuan Jianneng Power Design Co., Ltd	10,642,920.00	2-3 years	Settlement conditions not met
Chengdu Heyifeng Trade Co., Ltd	10,610,160.00	Over 3 years	Negotiation on transfer of creditor's rights and debts among three parties
Sichuan Xinshun Building Materials Co., Ltd	10,000,000.00	2-3 years	Settlement period not reached
China Merchants United Supply Chain (Shanghai) Co., Ltd	10,000,000.00	2-3 years	Trade advance
Total	**671,417,744.94**		

7. Other receivables

Items	Ending Balance	Beginning Balance
Interest receivables	1,223,591,628.76	1,100,848,817.45
Dividend receivables	177,151,589.96	182,223,340.97
Other receivables	39,796,837,494.12	39,473,501,464.52
Total	**41,197,580,712.84**	**40,756,573,622.94**

1. Interest receivables

(1) Category of interest receivables

Items	Ending Balance	Beginning Balance
Interest on deposits	22,429,438.85	22,951,305.87
Interest on pledge deposits	862,728,548.44	633,643,840.73
Entrusted loan	159,014,641.94	267,992,761.72
Bond interest	111,860,668.26	80,622,076.67
Micro-loan interest	53,445,767.34	88,334,143.13
Others	14,112,563.93	7,304,689.33
Total	**1,223,591,628.76**	**1,100,848,817.45**

2. Dividend receivables

Items	Ending Balance	Beginning Balance
Bank of Chengdu (Held by Xinhuawenxuan)	33,600,000.00	
Bank of Chengdu (Held by Xinhua Group)	29,922,396.00	
GW Bank	25,177,843.32	25,177,843.32
Beijing Aluminum Energy Fresh Environment Technology Co.	16,683,678.16	16,683,678.16
Chengdu Airport High Way Co., Ltd	15,746,810.52	
Sichuan Juxin Development Equity Investment Co.	9,800,000.00	9,800,000.00
Mianyang Commercial Bank Co., Ltd	7,770,000.00	7,770,000.00

Items	Ending Balance	Beginning Balance
Guangyuan Xingchcan Jinya Enterprise Management Center (limited partnership)	7,688,000.00	7,688,000.00
Sichuan Yibin Yili Group Hengjiang Power Generation Co., Ltd	6,000,000.00	20,000,000.00
China Railway Signal & Communication Co., Ltd	4,735,600.00	
Chengdu Shuangnan Square Construction and Development Co., Ltd	4,539,042.00	4,539,042.00
Xiangcheng Mayi River Hydro-electricity Resource Development Co	4,048,502.93	4,048,502.93
Sichuan Guotou Asset Trusteeship Co.	2,600,000.00	2,600,000.00
Jiulong Fuchuan Hydro-electricity Resource Development Co.	2,560,000.00	2,560,000.00
Beijing Thunisoft Co., Ltd	2,462,354.14	
Sichuan Galaxy Chemical Co.	1,798,941.56	1,798,941.56
China National Salt Industry Co.	745,084.33	
Sichuan Hongji Construction Engineering Co., Ltd	600,000.00	600,000.00
Sichuan Jinyangshanmugou Electric power Development	600,000.00	600,000.00
Education Forum	72,000.00	
Sichuan Tianhua Co.	1,337.00	1,337.00
Chuancai Securities Co., Ltd		78,355,996.00
Total	**177,151,589.96**	**182,223,340.97**

3. Other receivables

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Balance
Significant individual receivables with bad debt provision made on individual basis	18,031,197,898.48	1,728,079,960.87	20,236,211,847.08	1,313,580,294.98
Accounts receivable for which provision for bad debts is made by combination	——	——	——	——
Receivables for entrusted loan and interests	286,213,530.48	196,524,166.67	235,320,827.67	151,830,466.67
Receivable related party combination	5,020,794,466.00	433,208,091.03	4,901,952,948.35	433,218,651.03
Aging combination	5,508,558,159.52	3,686,364,406.85	6,263,398,016.85	3,815,043,702.23
Petty cash	69,573,981.99	2,117,490.40	67,649,286.17	2,300,529.12
ECL losses model	10,926,624,349.30	1,090,764,098.00	6,917,211,750.57	904,742,692.77
Subtotal	21,811,764,487.29	5,408,978,252.95	18,385,532,829.61	5,307,136,041.82

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Balance
Insignificant individual receivables but with bad debt provision made on individual basis	8,093,501,055.06	1,002,567,732.89	8,633,086,695.95	1,160,613,571.32
Total	**47,936,463,440.83**	**8,139,625,946.71**	**47,254,831,372.64**	**7,781,329,908.12**

(1) Other receivables with bad debt provision made on aging combination

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year	1,448,177,679.76	71,120,437.21	1,885,623,621.81	87,708,559.44
1-2 years	189,238,084.97	35,814,095.83	150,976,992.54	20,142,470.27
2-3 years	85,823,537.54	24,904,766.48	198,876,483.84	44,102,016.08
3-4 years	100,623,016.84	49,832,029.24	441,413,066.88	212,522,702.54
4-5 years	386,026,227.88	267,962,292.23	205,102,829.27	140,766,243.04
Over 5 years	3,298,669,612.53	3,236,730,785.86	3,381,405,022.51	3,309,801,710.86
Total	**5,508,558,159.52**	**3,686,364,406.85**	**6,263,398,016.85**	**3,815,043,702.23**

(2) Receivables of related parties' combination: see details in Note XI (3)

(3) Other receivables with individual year-end value over RMB 0.1 billion and bad debt provision made on individual basis

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Funds appropriated on behalf of Department of Finance of Sichuan	5,091,545,405.00			Refer to *1
Sichuan Development Investment Co.	2,257,422,622.87			Expected to collect
Sichuan Chemical Holding (Group) Co., Ltd.	2,218,006,894.42	55,465,215.64	2.50	Based on expected loss
Sichuan Port and Channel Development Co., Ltd	1,488,005,573.33			Expected to collect
Sichuan Yibin Yili Group Hengjiang Power Generation Co., Ltd	1,013,265,661.26			Expected to collect
Department of Finance of Sichuan	653,961,655.55	324,171,038.36	49.57	Based on expected loss
Tibet Huiren Investment Consulting Co., Ltd	600,000,000.00			Expected to collect

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Luzhou Xingyang Investment Group Co., Ltd	590,000,000.00			Expected to collect
Local communications bureaus in the province	533,196,182.52	533,196,182.52	100.00	Expected to loss
Shehong State-owned Assets Management Group Co., Ltd	300,000,000.00			Expected to collect
Yibin state owned Assets Management Co., Ltd	190,000,000.00			Expected to collect
Jinniu Hotel of Sichuan Provincial People's Government	180,000,000.00			Expected to collect
Shenzhen Xinjingjue Technology Co., Ltd	152,867,700.00	152,867,700.00	100.00	Expected to loss
Chengdu Shuangliu High Frequency (Group) Co., Ltd	151,020,603.36	151,020,603.36	100.00	Expected to loss
Chengdu Gravitation Real Estate Co., Ltd	111,000,000.00	25,451,762.11	22.93	Based on expected loss
Sichuan Meihao Group	108,340,000.00	1,830,000.00	1.69	Based on expected loss
Beijing New Space Technology Co., Ltd	100,000,000.00			Expected to collect
Yibin Cuiping District State Owned Assets Management Co., Ltd	100,000,000.00			Expected to collect
China Nuclear Industry Zhongyuan Construction Co., Ltd	100,000,000.00	5,000,000.00	5.00	Based on expected loss
Jinhao Group	427,377,268.84	427,377,268.84	100.00	Expected to loss
Xuzhen Railway Co., Ltd	111,772,684.41	190.04		Expected to collect
South Sichuan Intercity Railway Co., Ltd	208,384,396.80			Expected to collect
Pingyuan industry	150,860,656.89	51,700,000.00	34.27	Based on expected loss
Sichuan Lianle Railway Co., Ltd	1,194,170,593.23			Expected to collect
Total	**18,031,197,898.48**	**1,728,079,960.87**		

*1 Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its documents to support the development of enterprises within the province. Settlement is made with the Department of Finance after the completion of all appropriations.

(4) Other insignificant individual large-amount receivables as of the end of the year but with bad debt provision made on individual basis

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Zhang Ming *1	97,918,505.41	97,918,505.41	100.00	Expected to loss
China Agricultural Development Key Construction Fund Co., Ltd	93,277,777.78			Expected to collect
Chengdu Heyifengmao Trading Co.	83,783,655.60	80,593,573.52	96.19	Based on expected loss
Dafang jinruiyuan Real Estate Co., Ltd	80,002,000.00			Expected to collect
Sichuan Hengshunyu Trading Co., Ltd	68,000,000.00			Expected to collect
Mianning County Finance Bureau Treasury Payment Center	54,474,161.14			Expected to collect
Sichuan Coal Industry Group Limited Liability Company	79,183,830.00	25,000,000.00	31.57	Based on expected loss
Huatai Securities (Shanghai) Asset Management Co., Ltd	51,379,211.71			Expected to collect
Xuzhou State-Owned Assets Management Co., Ltd	50,000,000.00			Expected to collect
Mianning County Finance Bureau Treasury Payment Center	22,206,600.00			Expected to collect
Ping An International Financial Leasing Co., Ltd	22,200,000.00			Expected to collect
Luzhou Lianqiang Construction Engineering Co., Ltd	30,500,000.00			Expected to collect
Yibin Tianke Coal Chemical Co., Ltd	20,000,000.00	20,000,000.00	100.00	Expected to loss
Chengdu Youmaijia Trade Co., Ltd	20,000,000.00			Expected to collect
Chengdu Xinhua Mao material Trade Co., Ltd	19,100,000.00	19,100,000.00	100.00	Expected to loss
Chengdu Yanghua Trade Co., Ltd	19,000,000.00	19,000,000.00	100.00	Expected to loss
Nahsbc Power	18,632,979.31	18,632,979.31	100.00	Expected to loss
Pingwu Electric Chemical Plant	16,809,081.67	16,809,081.67	100.00	Expected to loss
Everbright Financial lease Co., Ltd	16,200,000.00			Expected to collect

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
China Construction Sixth Engineering Bureau Construction Development Co., Ltd	16,088,396.16			Expected to collect
Chengdu Tongtai Electric Co.	16,035,050.00	16,035,050.00	100.00	Expected to loss
Zhang Li	15,696,386.00	15,696,386.00	100.00	Expected to loss
Sichuan Shaqi Industry Co., Ltd	15,500,000.00	15,500,000.00	100.00	Expected to loss
Nanchong Wanshi Hengtong commercial trade Co., Ltd	15,000,000.00			Expected to collect
Chengdu Ruiyi Car Rental Co., Ltd	14,000,000.00			Expected to collect
Pingwu Xiongsheng Technology Development Co., Ltd	11,140,719.98	11,140,719.98	100.00	Expected to loss
Jiangkou Fanyue Cultural Tourism Development Co., Ltd	10,000,000.00	200,000.00	2.00	Based on expected loss
Chengdu Huagaoruitian Technology Co., Ltd	54,153,670.96	54,153,670.96	100.00	Expected to loss
Shanghai Yuanyin Metal Co., Ltd	10,125,266.09	300,496.13	2.97	Based on expected loss
Yunnan Lilai Investment Co., Ltd	13,872,482.72	4,775,100.00	34.42	Based on expected loss
Hongya Chengdong Power Station	17,548,206.00	17,548,206.00	100.00	Expected to loss
Mianyang Transportation Bureau	58,407,017.42	12,248,815.92	20.97	Based on expected loss
Sichuan Zhonghan Solar Power Co., Ltd	40,210,983.60			Expected to collect
Chengdu Railway Bureau court	30,000,000.00			Expected to collect
Sichuan Nongken Development Co.	14,251,371.23			Expected to collect
Sichuan Nongken copper material factory	12,469,900.00			Expected to collect
Sichuan State-owned Agricultural Industry and Commerce Union Co., Ltd	43,864,860.00			Expected to collect
Sichuan Xuda Railway Co., Ltd	31,163,326.61			Expected to collect
Chengdu UBS Han'an urbanization Investment Center (limited partnership)	53,237,774.55			Expected to collect
Sichuan Chengdu Timber Integrating Factory Attached Factory	54,941,320.17			Expected to collect

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Chengdu Jinjianzhanzhao Investment Centre	13,768,448.88			Expected to collect
Others(sum of the amount individually lower than RMB 10 million)	6,669,358,072.07	557,915,147.99	8.37	Based on expected loss
Total	**8,093,501,055.06**	**1,002,567,732.89**		——

*1: Zhang Ming was a shareholder of Sichuan Sunfor Light Co., Ltd. Sichuan Sunfor Light Co., Ltd. filed a lawsuit on January 18, 2017 to Chengdu City Intermediate People's court, and frozen Zhang Ming's holdings of 16.0297 million shares in Sichuan Sunfor Light Co., Ltd. According to the lawyer, Zhang Ming's existing enforceable property is only equity held by him, several creditors, including Sichuan Sunfor Light Co., Ltd, has taken action to adopt preservation measures, and the litigation claims of several creditors are likely to be supported by the courts, the sum of money determined by the legal instrument will be much higher than the value of the equity held by Zhang Ming, Zhang Ming's property is out of debt. Therefore, provision for bad debts is provided for the full amount of the debt.

(5) Provisions made by ECL losses models are the provisions made by the subsidiaries which have adopted New Financial Standards, receivable construction in-progress deposit combination was included in the ECL losses models.

(6) Top 5 other account receivable in order of ending balance of debtors

Debtor	Nature	Book balance	Age	Percentage of total other account receivables（%）	Bad debt provision
Payment made on behalf of the Finance Department of Sichuan Province	Delegated appropriated payment	5,091,545,405.00	4-5 years	10.62	
Sichuan Development Investment Co.	Loan	2,257,422,622.87	Within 1 year	4.71	
Sichuan Chemical Holding (Group) Co., Ltd..	Loan, Construction receivables	2,218,006,894.42	0-4 years, over 5 years	4.63	55,465,215.64
Sichuan Port and Channel Development Co., Ltd	Loan	1,488,005,573.33	Within 4 years	3.10	
Jiuzhaigou Hongyi Investment Co., Ltd	Loan	1,406,204,567.83	Within 4 years	2.93	23,350,275.06

	Total	**12,461,185,063.45**		**26.00**	**78,815,490.70**

8. Contract Assets

(1) Category of contract assets

Item	Ending Balance			Beginning Balance		
	Book Balance	Provision for impairment	Carrying Amount	Book Balance	Provision for impairment	Carrying Amount
Receivables of quality guarantee	200,658,133.30	1,796,581.39	198,861,551.91	71,092,894.39	710,928.94	70,381,965.45
Receivables of unsettled payment	892,911,252.33	8,677,692.32	884,233,560.01	721,432,670.86	7,214,326.71	714,218,344.15
Total	**1,093,569,385.63**	**10,474,273.71**	**1,083,095,111.92**	**792,525,565.25**	**7,925,255.65**	**784,600,309.60**

(2) Impairment of contract assets

Item	Beginning Balance	Increase during current period	Decrease during current period	Ending Balance
Receivables of quality guarantee	710,928.94	1,085,652.45		1,796,581.39
Receivables of unsettled payment	7,214,326.71	1,463,365.61		8,677,692.32
Total	**7,925,255.65**	**2,549,018.06**		**10,474,273.71**

9. Inventories

Item	Ending Balance		
	Book balance	Provision for decline in value	Carrying amount
Raw materials	2,652,553,312.69	76,667,842.25	2,575,885,470.44
Self-made semi-finished products and products in process	2,133,906,338.83	34,104,266.26	2,099,802,072.57
Merchandise inventory	4,642,460,670.17	292,963,446.75	4,349,497,223.42
Goods shipped in transit	178,701,238.92	1,156,532.13	177,544,706.79
Revolving materials	575,225,323.17	760,389.83	574,464,933.34
Consumable biological assets	32,889,265.28	4,964,607.22	27,924,658.06
Engineering construction	26,678,117,987.52	4,948,454.87	26,673,169,532.65
Developed products	8,499,303,441.04	53,894,377.89	8,445,409,063.15
Development Cost	29,456,875,641.86		29,456,875,641.86
Others	125,587,924.63	2,482,321.72	123,105,602.91

Item	Ending Balance		
	Book balance	Provision for decline in value	Carrying amount
Total	**74,975,621,144.11**	**471,942,238.92**	**74,503,678,905.19**

(Continued)

Item	Beginning Balance		
	Book balance	Provision for impairment	Carrying amount
Raw materials	2,606,641,703.61	83,389,464.53	2,523,252,239.08
Self-made semi-finished products and products in process	4,071,040,384.28	13,330,415.02	4,057,709,969.26
Merchandise inventory	4,243,675,975.36	281,304,616.18	3,962,371,359.18
Goods shipped in transit	472,463,186.42	1,156,532.13	471,306,654.29
Revolving materials	500,649,055.85	896,797.52	499,752,258.33
Consumable biological assets	37,202,513.26	5,691,268.85	31,511,244.41
Engineering construction	19,375,883,340.79	93,797,111.70	19,282,086,229.09
Developed products	8,927,594,511.63	55,892,608.42	8,871,701,903.21
Development Cost	29,469,211,208.47		29,469,211,208.47
Others	103,747,253.19	2,482,321.72	101,264,931.47
Total	**69,808,109,132.86**	**537,941,136.07**	**69,270,167,996.79**

Completed and unsettled assets formed by construction contract at the end of current period

Item	Ending balance
Accumulated cost incurred	246,820,882,885.69
Accumulated recognized gross profit	26,296,418,002.49
Less: estimated loss	104,016,929.01
Settled amount	246,340,114,426.52
Completed and unsettled assets formed by construction contract	**26,673,169,532.65**

10. Non-current assets due within one year

Item	Carrying value at the end of the year		Carrying value at the beginning of the year	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term entrusted loans	2,854,338,216.55	439,492,325.89	3,474,368,058.46	283,543,540.37
BOT and BT project receivables	345,309,278.55		450,482,359.41	

Item	Carrying value at the end of the year		Carrying value at the beginning of the year	
	Original value	Provision for impairment	Original value	Provision for impairment
Compensation	9,789,699.24		8,477,654.62	
Debts available for sales	335,125,000.00		335,125,000.00	
Long-term debt investment	6,110,681,629.11	142,585,633.88	3,063,277,353.74	142,825,633.88
Installment financing leases to be recovered within one year	2,237,769,869.37		2,190,820,756.52	
Total	**11,893,013,692.82**	**582,077,959.77**	**9,522,551,182.75**	**426,369,174.25**

11. Other current assets

Item	Ending Balance	Beginning Balance
Advance tax payment	817,418,821.21	418,653,654.56
Input tax will be deducted	4,766,257,201.34	5,153,983,154.31
Bank financial products	17,920,844,727.00	8,213,076,507.23
Entrusted Loan	2,409,115,483.04	3,820,966,062.12
Less：impairment provision	515,966,034.82	510,469,034.82
Others	1,185,806,975.08	736,845,555.63
Total	**26,583,477,172.85**	**17,833,055,899.03**

12. Loans and advances

(1) Distribution of loans and advances by individual and enterprise

Item	Ending Balance	Beginning Balance
Personal loans and advances	2,669,329,099.99	2,979,801,147.89
Including: Credit card	131,712,519.44	195,921,106.66
Home mortgage	1,113,588,277.48	1,223,833,145.06
Other	1,424,028,303.07	1,560,046,896.17
Corporate loans and advances	3,999,014,508.94	4,086,746,193.61
Including: Loans	3,999,014,508.94	4,086,746,193.61
Discount		
Other		
Total of loans and advances	**6,668,343,608.93**	**7,066,547,341.50**
Less: loan loss provision	237,443,361.49	237,062,083.75
Including: provision made on individual basis		
provision made on combination basis	237,443,361.49	237,062,083.75

Item	Ending Balance	Beginning Balance
Carrying amount of loans and advances	**6,430,900,247.44**	**6,829,485,257.75**

(2) Distribution of loans and advances by security mode

Item	Ending Balance	Beginning Balance
Fiduciary loans	285,618,620.11	251,589,442.28
Secured loans	904,881,828.76	971,122,745.58
Loans with security	5,477,843,160.06	5,843,835,153.64
Including: mortgage loans	4,309,925,466.22	4,617,996,147.61
Pledge loans	1,167,917,693.84	1,225,839,006.03
Total of loans and advances	**6,668,343,608.93**	**7,066,547,341.50**
Less: loan loss provision	237,443,361.49	237,062,083.75
Including: provision made on individual basis		
Provision made on combination basis	237,443,361.49	237,062,083.75
Carrying amount of loans and advances	**6,430,900,247.44**	**6,829,485,257.75**

(3) Loan loss provision

Item	Amount for the year		Amount for previous year	
	Individual	Group	Individual	Group
Beginning balance		**237,062,083.75**		**242,113,078.32**
Provision for the year		381,277.74		-4,496,311.19
Turnout for the year				554,683.38
Write-off for the year				
Write-back for the year				
-Write-back resulting from recovery of loans and advances originally written off				
-Write-back resulting from increase of discounted value of loans and advances				
-Write-back resulting from other factors				
Ending balance		**237,443,361.49**		**237,062,083.75**

13. Financial assets available-for-sale

1. The detail of financial assets available-for-sale

Item	Ending balance

	Original value	Provisions	Carrying amount
Bonds available-for-sale	1,313,635,167.27	1,000,000.00	1,312,635,167.27
Equity investments available-for-sale	47,232,065,232.27	447,042,596.72	46,785,022,635.55
Including: Measured at fair value	7,267,422,700.95		7,267,422,700.95
Measured at cost	39,964,642,531.32	447,042,596.72	39,517,599,934.60
Others	1,737,910,527.59		1,737,910,527.59
Total	**50,283,610,927.13**	**448,042,596.72**	**49,835,568,330.41**

Continued

Item	Beginning balance		
	Original value	Provisions	Carrying amount
Bonds available-for-sale	2,000,717,877.90	13,260,000.00	1,987,457,877.90
Equity investments available-for-sale	47,123,843,579.29	537,481,269.96	46,586,362,309.33
Including: Measured at fair value	7,347,902,632.37		7,347,902,632.37
Measured at cost	39,775,940,946.92	537,481,269.96	39,238,459,676.96
Others	1,340,786,677.63		1,340,786,677.63
Total	**50,465,348,134.82**	**550,741,269.96**	**49,914,606,864.86**

2. Large unit with a year-end amount of 1 billion or more

Item	Measurement	Amounts at the end of the period
ETF fund	Fair value	2,063,472,062.04
Investment Of Port and Channel Investment Group Co., Ltd.	Cost	10,970,418,951.47
Bank of Communications International Trust Co., ltd	Cost	3,320,000,000.00
Dacheng Railway Co., ltd	Cost	2,625,129,287.35
South Sichuan Intercity Railway Co., Ltd	Cost	1,912,000,000.00
Panzhihua Fengyuan Mining Co., ltd	Cost	1,000,000,000.00
Less: provision for impairment of financial assets available-for-sale		243,987,800.00
Total		**21,647,032,500.86**

14. Held-to-maturity investments

Item	Ending Balance		
	Original amount	Provisions	Carrying amount
Convertible bond	100,000,000.00		100,000,000.00
Non public directional debt	1,758,000,000.00		1,758,000,000.00

Item	Ending Balance		
	Original amount	**Provisions**	**Carrying amount**
financing instrument *1			
Others *2	1,024,715,400.00	3,044,000.00	1,021,671,400.00
Total	**2,882,715,400.00**	**3,044,000.00**	**2,879,671,400.00**

(Continued)

Item	Beginning Balance		
	Original amount	**Provisions**	**Carrying amount**
Convertible bond	100,000,000.00		100,000,000.00
Non public directional debt financing instrument	1,430,000,000.00		1,430,000,000.00
Others	600,095,400.00	3,044,000.00	597,051,400.00
Dollar bonds			
Treasury bond investment			
Total	**2,130,095,400.00**	**3,044,000.00**	**2,127,051,400.00**

*1 This is due to the increase of bond investment of 328 million by Credit Enhancement Co.

*2 The increase in current period is mainly due to the *Assets Transfer Agreement* signed between Energy Investment Group (hereinafter the Group) and China Everbright Bank Co., Ltd Chengdu Branch (hereinafter CEC Bank) that the Group purchased the claim of principle, interest and lawsuit fee of Sichuan Chemical Group Co., Ltd totaling 360 million, at the price of 273 million from CEC Bank. And the increase is also due to Credit Enhancement Co. purchasing fund products totaling 151 million.

15. Long-term receivables

Item	Ending Balance		Beginning Balance	
	Balance	**Provision for impairment**	**Balance**	**Provision for impairment**
Sale of goods by installment	247,835,396.10	2,934,404.94	377,200,424.99	2,934,404.94
Provide services by installment	435,827,587.99		435,827,587.99	
Financial Leasing	6,050,267,694.64	226,160,001.90	6,201,276,317.82	225,352,499.84
Long-term entrusted loan	6,910,037,139.79	23,201,470.56	9,440,241,136.43	14,309,970.56
BOT and BT receivables	4,007,343,853.91	39,481,107.86	3,964,112,241.33	39,481,107.86
PPP project*1	16,875,843,578.01		14,841,998,360.86	
Special funds for Shanty	46,193,642,887.66		47,488,720,757.66	

Item	Ending Balance		Beginning Balance	
	Balance	Provision for impairment	Balance	Provision for impairment
Rebuild*2				
Bad creditor's rights acquisition	5,720,345,820.03		1,552,000,000.00	
Construction and land acquisition and demolition	8,056,927,217.74		7,045,615,589.60	
Others*3	4,710,900,825.69	313,674,369.86	2,860,098,897.39	302,667,298.90
Total	**99,208,972,001.56**	**605,451,355.12**	**94,207,091,314.07**	**584,745,282.10**

*1. Mainly the receivables from PPP projects of Sichuan Railway Investment Group Co, Ltd.

*2. Special funds for Shanty Rebuild are the loan Sichuan Rural Investment obtained from China Development Bank. The interest rate is 10% lower than the bank benchmark interest rate of the same period. The Company signed *Tripartite Parties Agreement for Fund Use* with local government and government companies; the fund is deposited in the special account of government companies and specifically used for reconstruction of shed area project. The Company charges management fees at 0.4% of the loan per year from local municipal government.

*3. Others are mainly payments for the projects in advance

16. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Investment in subsidiaries	31,781,817.15			31,781,817.15
Investment in joint ventures	2,723,190,827.70	898,774,560.00	20,896,586.32	3,601,068,801.38
Investments in associates	80,750,158,639.51	6,363,980,159.04	1,667,500,811.98	85,446,637,986.57
Sub-total	**83,505,131,284.36**	**7,262,754,719.04**	**1,688,397,398.30**	**89,079,488,605.10**
Less: provision for impairment of long-term equity investment	133,165,082.41			133,165,082.41
Total	**83,371,966,201.95**	**7,262,754,719.04**	**1,688,397,398.30**	**88,946,323,522.69**

(2) Details of major long-term equity investments

Name of investee	Investment cost	Beginning balance	The changes during the year			
			Increase during the year	Decrease during the year	Investment gains or losses under equity method	Other comprehensive income
1. Joint ventures						
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.	1,009,511,400.00	1,009,511,400.00				
2.Associates						
Sichuan Airport Group Co.	4,925,114,004.77	7,324,334,067.46			-54,844,329.58	
Shenwan Hongyuan Group Co., Ltd	5,442,791,183.72	6,572,740,154.20			31,844,726.80	
Sichuan Changning Natural Gas Development Co., Ltd	2,250,000,000.00	2,855,024,003.31			270,827,625.16	2,976,475.67
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd	6,000,000,000.00	4,800,000,000.00	1,200,000,000.00			
China Changjiang Power Co., Ltd	10,630,400,000.00	12,219,832,134.18			183,240,813.49	
Beijing Huading New Power Equity Investment Fund (limited partnership)	4,969,380,631.00	6,174,860,723.86			-46,872,583.21	1,547,733,216.05
Sichuan Airlines Co., Ltd	400,000,000.00	1,977,321,179.41			-917,509,200.00	
Sichuan Kangding Airport Group Co., Ltd	1,486,717,789.77	3,061,560,727.74			-60,263,040.73	
Sichuan Ba Guang Yu Expressway Development Co., Ltd	1,987,478,201.68	1,946,817,055.90	993,000,000.00		-60,195,986.53	
China Merchants Road Network	3,000,000,000.00	3,469,765,088.98				

Name of investee	Investment cost	Beginning balance	The changes during the year			
			Increase during the year	Decrease during the year	Investment gains or losses under equity method	Other comprehensive income
Technology Holding Co., Ltd						
Tianjin Rural Commercial Bank Co., Ltd	2,549,565,650.02	2,687,213,494.37			109,980,000.00	
Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)	3,000,000,000.00	3,000,917,735.71			-2,449,974.29	
Chengdu Industrial Investment Assets Management Co., Ltd	226,756,000.00	1,230,678,270.73			8,004,667.09	-70,294,450.95
Total	**47,877,714,860.96**	**58,330,576,035.85**	**2,193,000,000.00**		**-538,237,281.80**	**1,480,415,240.77**

Continued

Name of investee	The changes during the year				Ending balance	Balance of provisions
	Changes of other equity	Declaration of cash dividends or profits	Provisions	Others		
1. Joint ventures						
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.					1,009,511,400.00	
2. Associates						
Sichuan Airport Group Co.	489,332,277.00				7,758,822,014.88	
Shenwan Hongyuan Group Co., Ltd					6,604,584,881.00	
Sichuan Changning Natural Gas Development Co., Ltd		140,024,888.08			2,988,803,216.06	

Name of investee	The changes during the year				Ending balance	Balance of provisions
	Changes of other equity	Declaration of cash dividends or profits	Provisions	Others		
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd					6,000,000,000.00	
China Changjiang Power Co., Ltd					12,403,072,947.67	
Beijing Huading New Power Equity Investment Fund (limited partnership)					7,675,721,356.70	
Sichuan Airlines Co., Ltd					1,059,811,979.41	
Sichuan Kangding Airport Group Co., Ltd					3,001,297,687.01	
Sichuan Ba Guang Yu Expressway Development Co., Ltd					2,879,621,069.37	
China Merchants Road Network Technology Holding Co., Ltd					3,469,765,088.98	
Tianjin Rural Commercial Bank Co., Ltd					2,797,193,494.37	
Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)					2,998,467,761.42	
Chengdu Industrial Investment Assets Management Co., Ltd					1,168,388,486.87	
Total	**489,332,277.00**	**140,024,888.08**			**61,815,061,383.74**	

(3) Provision for impairment of long-term equity investment

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Sichuan Xinhua Travel Service Co., Ltd.	300,000.00			300,000.00
Sichuan Publishing Foreign Trade Company	707,325.58			707,325.58
Sichuan Lvke Fruit and Vegetable Drinks Co., Ltd.	10,058,457.75			10,058,457.75
Sichuan University Scientific and Technological Achievement Transformation Center Co., Ltd.	8,951,683.18			8,951,683.18
Sichuan Dazhou Tieshan Tunnel Construction and Development Co., Ltd.	22,849,248.51			22,849,248.51
Leshan Shanwan Hotel Co., Ltd.	29,842,580.85			29,842,580.85
Xingwen Daguang Cement Products Co., Ltd.	345,000.00			345,000.00
Xingwen Wanfeng nano powder Co., Ltd.	931,910.92			931,910.92
Chengdu Huagao Ruitian Technology Co., Ltd.	29,036,069.59			29,036,069.59
Shanghai Hongyuan Technology Co.	2,002,567.24			2,002,567.24
Henan Xinli Lighting Equipment Co.	32,635.19			32,635.19
Shanghai Hanlong Investment Co.	790,530.00			790,530.00
China International Futrures Co. Ltd	20,000,000.00			20,000,000.00
Guanghan Datong Financing Co.	150,000.00			150,000.00
Sichuan Qimingxing Investment Co.	6,000,000.00			6,000,000.00
Chengdu Pengzhou Yinhe Mountain Villa	1,167,073.60			1,167,073.60
Total	**133,165,082.41**			**133,165,082.41**

17. Other equity instruments

1. Details of other equity instruments

Item	Ending balance	Beginning balance
Chengdu Bank	1,203,900,648.00	1,371,781,266.00
Anhui Xinhua Media Co., Ltd	692,998,400.00	683,027,200.00
Restricted tradable shares of China Merchants Bank	470,143,696.44	
Others	788,206,264.30	119,840,119.97
Total	**3,155,249,008.74**	**2,174,648,585.97**

2. The significant other equity instruments as of June 30, 2020

Item	Investment cost	Accumulated changes in fair value included in other comprehensive income	Fair value as at June 30, 2020
Chengdu Bank	451,000,000.00	752,900,648.00	1,203,900,648.00
Anhui Xinhua Media Co., Ltd	186,415,328.00	506,583,072.00	692,998,400.00
Restricted tradable shares of China Merchants Bank	59,558,155.50	410,585,540.94	470,143,696.44

18. Other non-current financial assets

Item	Ending Balance	Beginning balance
CITIC M&A Investment Fund (Shenzhen) partnership (limited partnership)	111,585,748.79	111,887,206.48
Wenxuan Hengxin (Shenzhen) equity investment fund partnership (limited partnership)	375,276,965.44	292,338,697.14
Qingdao Jinshi Zhixin Investment Center (limited partnership)	102,430,506.09	102,430,506.09
Others	81,922,767.24	69,447,626.72
Total	**671,215,987.56**	**576,104,036.43**

19. Investment properties

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Total original carrying value	**5,382,122,911.31**	**941,025,224.35**	**31,275,369.40**	**6,291,872,766.26**
1. Buildings	5,330,050,429.14	889,709,595.40	31,275,369.40	6,188,484,655.14
2. Land use right	52,072,482.17	51,315,628.95		103,388,111.12
Total accumulated depreciation	**1,205,256,491.44**	**152,744,903.93**	**8,982,312.84**	**1,349,019,082.53**
1. Buildings	1,204,270,805.39	151,891,429.65	8,982,312.84	1,347,179,922.20
2. Land use right	985,686.05	853,474.28		1,839,160.33
Total net carrying value	**4,176,866,419.87**			**4,942,853,683.73**
1. Buildings	4,125,779,623.75			4,841,304,732.94
2. Land use right	51,086,796.12			101,548,950.79
Total provision for impairment	**5,927,406.63**	**6,930,000.00**		**12,857,406.63**

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
1. Buildings	5,927,406.63	6,930,000.00		12,857,406.63
2. Land use right				
Total carrying value	**4,170,939,013.24**			**4,929,996,277.10**
1. Buildings	4,119,852,217.12			4,828,447,326.31
2. Land use right	51,086,796.12			101,548,950.79

20. Fixed assets

Item	Ending Balance	Beginning Balance
Fixed assets	271,770,273,302.40	273,629,479,259.87
Disposal of fixed assets	25,841,457.03	11,247,834.25
Total	**271,796,114,759.43**	**273,640,727,094.12**

(1) Cost of fixed assets

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Housing and building	35,289,308,869.28	782,145,950.17	156,500,444.88	35,914,954,374.57
Railway tracks	3,853,268,595.25			3,853,268,595.25
Roads and structures	220,063,005,977.13	98,134,177.76	846,532,680.18	219,314,607,474.71
Aircraft	5,184,258,931.11	76,738,007.64	3,891,347.13	5,257,105,591.62
Pipe network assets	189,938,727.13	30,298.67		189,969,025.80
Plant and machinery	48,194,065,831.05	1,822,710,127.60	898,044,742.19	49,118,731,216.46
Means of transport	2,008,097,265.49	90,424,317.40	105,623,060.26	1,992,898,522.63
Office equipment and others	2,596,344,858.04	385,786,470.93	62,313,579.10	2,919,817,749.87
Total	**317,378,289,054.48**	**3,255,969,350.17**	**2,072,905,853.74**	**318,561,352,550.91**

(2) Accumulated depreciation

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Housing and building	6,850,679,722.55	750,840,558.12	64,080,016.84	7,537,440,263.83
Railway tracks	420,196,185.32			420,196,185.32
Roads and structures	18,316,583,965.01	1,161,111,779.61	140,290.60	19,477,555,454.02
Aircraft	275,295,502.55	104,725,658.90		380,021,161.45
Pipe network assets	46,311,711.48	1,800,329.56		48,112,041.04
Plant and machinery	13,332,763,177.98	1,058,165,830.29	151,155,731.11	14,239,773,277.16
Means of transport	1,229,435,091.99	123,265,143.05	93,086,659.92	1,259,613,575.12

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Office equipment and others	1,492,938,537.77	200,046,704.15	36,032,978.42	1,656,952,263.50
Total	**41,964,203,894.65**	**3,399,956,003.68**	**344,495,676.89**	**45,019,664,221.44**

(3) Provision for impairment of fixed assets

Item	Beginning balance	Increase during the period	Decrease during the period	Ending balance
Housing and building	1,671,121,243.35		14,138,811.95	1,656,982,431.40
Railway tracks				
Roads and structures				
Aircraft				
Pipe network assets	5,503,631.03			5,503,631.03
Plant and machinery	106,313,368.42	1,344,735.93	374,012.49	107,284,091.86
Means of transport	259,892.78		12,175.71	247,717.07
Office equipment and others	1,407,764.38	1,224.36	11,833.03	1,397,155.71
Total	**1,784,605,899.96**	**1,345,960.29**	**14,536,833.18**	**1,771,415,027.07**

(4) Net carrying value of fixed assets

Item	Beginning balance	Ending balance
Housing and building	26,767,507,903.38	26,720,531,679.34
Railway tracks	3,433,072,409.93	3,433,072,409.93
Roads and structures	201,746,422,012.12	199,837,052,020.69
Aircraft	4,908,963,428.56	4,877,084,430.17
Pipe network assets	138,123,384.62	136,353,353.73
Plant and machinery	34,754,989,284.65	34,771,673,847.44
Means of transport	778,402,280.72	733,037,230.44
Office equipment and other	1,101,998,555.89	1,261,468,330.66
Total	**273,629,479,259.87**	**271,770,273,302.40**

21. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provisions	Carrying amount	Book balance	Provisions	Carrying amount
Construction in progress	104,465,341,402.72	138,492,841.68	104,326,848,561.04	90,061,622,686.34	127,128,325.23	89,934,494,361.11
Construction materials	337,582,122.84		337,582,122.84	482,661,281.29		482,661,281.29
Total	**104,802,923,525.56**	**138,492,841.68**	**104,664,430,683.88**	**90,544,283,967.63**	**127,128,325.23**	**90,417,155,642.40**

(1) Ending book balance:

Project Name	Beginning balance		Increase during current period	Decrease during current year		Ending balance	
	Book balance	Provision for impairment		Amount	Including: transferred to fixed assets	Book balance	Provision for impairment
Total	**90,061,622,686.34**	**127,128,325.23**	**14,736,980,471.86**	**333,261,755.48**	**134,112,787.25**	**104,465,341,402.72**	**138,492,841.68**
Including: Top 10							
1. Wenchuan Malkang Expressway	18,838,374,992.91		1,391,083,096.40			20,229,458,089.31	
2. Chengdu Yichang Expressway	11,712,442,608.40		98,885,854.85			11,811,328,463.25	
3. Lehan Expressway	7,606,134,294.01		954,390,746.11			8,560,525,040.12	
4. Well New Section Project	6,767,392,151.35		2,530,425,617.27			9,297,817,768.62	
5. Mianjiu Expressway Project	6,349,080,714.48		2,465,442,241.58			8,814,522,956.06	
6. Chengdu Ziyang Chongqing Expressway Project	4,731,226,494.72		919,760,534.93			5,650,987,029.65	
7. Sichuan Jinsha Hydropower Station	4,060,496,109.23		284,680,290.15			4,345,176,399.38	
8. Lu Yu Expressway Project	3,271,161,998.54		337,718,495.07			3,608,880,493.61	

Project Name	Beginning balance		Increase during current period	Decrease during current year		Ending balance	
	Book balance	Provision for impairment		Amount	Including: transferred to fixed assets	Book balance	Provision for impairment
9. Taoyuan Bazhong Expressway	3,152,812,582.37		130,057,923.83			3,282,870,506.20	
10. Reconstruction and expansion of Luhuang Road	2,159,971,351.40		136,419,812.55			2,296,391,163.95	

(Continued)

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
Total	**255,186,661,197.18**		**6,409,628,973.45**	**1,057,531,735.73**	
Including: Top 10					
1. Wenchuan Malkang Expressway	7,423,000,000.00	69.62	484,518,794.33	96,377,551.41	Government grant, loan and Self-fund
2. Chengdu Yichang Expressway	24,600,000,000.00	60.09	632,852,300.00	61,019,822.42	Loan and Self-fund
3. Lehan Expressway	20,492,000,000.00	57.71	220,107,534.30	87,848,016.64	Loan and Self-fund
4. Well New Section Project	20,384,450,000.00	45.00	302,351,936.29	146,138,645.85	Loan, vehicle purchase tax
5. Mianjiu Expressway Project	41,009,000,000.00	21.49	302,960,697.48	142,866,746.34	Loan, government grant
6. Chengdu Ziyang Chongqing Expressway Project	14,732,000,000.00	38.40	424,224,532.41	164,142,887.08	20% project capital, 80% domestic bank

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
					loan
7. Sichuan Jinsha Hydropower Station	7,423,000,000.00	61.04	529,099,431.85	86,263,558.05	Loan and Self-fund
8. Lu Yu Expressway Project	3,939,262,500.00	89.53	154,983,575.22	40,282,246.04	Loan and Self-fund
9. Taoyuan Bazhong Expressway	14,741,261,678.00	87.00	1,250,727,971.88	5,747,638.78	Transfer loan, shareholder loan and capital premium
10. Reconstruction and expansion of Luhuang Road	3,842,957,817.00	68.22	71,860,565.60	20,521,347.26	Vehicle purchase tax, capital fund, loan

22. Intangible Assets

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Total original cost	**159,875,265,417.85**	**12,720,365,546.89**	**1,663,999,919.82**	**170,931,631,044.92**
Including: land-use rights	11,504,498,816.42	404,610,288.91	301,507,223.81	11,607,601,881.52
Expressway operation rights	35,197,046,302.83	6,549,272,239.22	-	41,746,318,542.05
WTE Power franchise right	4,653,518,131.49	952,740,866.98	-	5,606,258,998.47
BOT and BT assets	104,361,881,398.51	4,715,924,353.47	1,361,747,850.99	107,716,057,900.99
Patent rights and know-how	1,179,644,900.05	15,183,052.80	-	1,194,827,952.85
Software	515,827,341.42	26,020,608.70	741,991.28	541,105,958.84
Mining right and exploration right	2,397,981,714.75	-	-	2,397,981,714.75
Others	64,866,812.38	56,614,136.81	2,853.74	121,478,095.45
Total accumulated amortization	**13,555,247,594.18**	**2,190,935,695.99**	**4,003,924.25**	**15,742,179,365.92**
Including: land-use rights	1,304,467,195.06	103,222,624.05	3,705,309.60	1,403,984,509.51
Expressway operation rights	7,122,636,693.33	1,579,621,892.84	-	8,702,258,586.17
WTE Power franchise right	212,128,945.81	46,166,565.39	-	258,295,511.20
BOT and BT assets	4,296,234,088.43	368,861,109.67		4,665,095,198.10
Patent rights and know-how	223,065,814.79	36,546,277.01	-	259,612,091.80
Software	255,512,170.53	30,811,395.74	27,421.65	286,296,144.62
Mining right and exploration right	98,381,151.21	22,967,203.54	-	121,348,354.75
Others	42,821,535.02	2,738,627.75	271,193.00	45,288,969.77
Total provision for impairment	**2,916,310,815.19**	**73,418.07**		**2,916,384,233.26**
Including: land-use rights	2,875,007,012.81	73,418.07		2,875,080,430.88
Expressway operation rights	693,157.04			693,157.04
WTE Power franchise				

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
right				
BOT and BT assets				
Patent rights and know-how	1,239,387.03			1,239,387.03
Software				
Mining right and exploration right	27,371,258.31			27,371,258.31
Others	12,000,000.00			12,000,000.00
Total carrying value	**143,403,707,008.48**			**152,273,067,445.74**
Including: land-use rights	7,325,024,608.55			7,328,536,941.14
Expressway operation rights	28,073,716,452.46			33,043,366,798.84
WTE Power franchise right	4,441,389,185.68			5,347,963,487.28
BOT assets	100,065,647,310.08			103,050,962,702.89
Patent rights and know-how	955,339,698.23			933,976,474.02
Software	260,315,170.89			254,809,814.22
Mining right and exploration right	2,272,229,305.23			2,249,262,101.69
Others	10,045,277.36			64,189,125.68

That Energy Investment Group recognized costs according to Accounting Standard contributed to the decrease of BOT and BT assets.

23. Right-of-use assets

Item	Beginning balance	Increase	Decrease	Ending balance
Total original cost	**504,283,083.41**	**56,438,707.26**	**24,184,913.05**	**536,536,877.62**
Including：Housing and building	358,413,780.18	56,438,707.26	24,184,913.05	390,667,574.39
Land use right and others	145,869,303.23			145,869,303.23
Total Accumulative depreciation	**81,787,037.24**	**54,251,598.48**	**18,629,823.38**	**117,408,812.34**
Including：Housing and building	67,621,573.27	47,168,866.48	18,629,823.38	96,160,616.37
Land use right and others	14,165,463.97	7,082,732.00		21,248,195.97

Total net carrying amount	**422,496,046.17**			**419,128,065.28**
Including：Housing and building	290,792,206.91			294,506,958.02
Land use right and others	131,703,839.26			124,621,107.26
Total provisions				
Including：Housing and building				
Land use right and others				
Total carrying amount	**422,496,046.17**			**419,128,065.28**
Including：Housing and building	290,792,206.91			294,506,958.02
Land use right and others	131,703,839.26			124,621,107.26

24. Goodwill

(1) Original value of goodwill

Name of investee	Beginning Balance	Increase during current period	Decrease during current period	Ending balance
Xinlong Jinlong Hydropower Investment Co., Ltd.	1,315,000.00			1,315,000.00
Yunnan Pu'er Honghuan Hydropower Development Co., Ltd.	10,915,610.29			10,915,610.29
Jinggu Longjiang Electrical Development Co., Ltd.	11,941,000.00			11,941,000.00
Zhaojue Haoyuan Electric Power Development Co., Ltd.	4,592,000.00			4,592,000.00
Daguan Xinhe Electric Power Co., Ltd.	84,125,429.07			84,125,429.07
Jinyang Sanhe Hydropower Development Co., Ltd.	298,240.67			298,240.67
Pingwu Xian Guangyao Electric Co.,Ltd.	6,600,476.26			6,600,476.26
Sichuan Hydropower Group Dazhu Electric Co.,Ltd.	100,000,000.00			100,000,000.00
SCEI Runjia Real Estate Co.,Ltd.	5,165,101.42			5,165,101.42
Sunfor Light Co	456,297,553.43			456,297,553.43
Tianquan Sand River Hydropower Station	6,623,979.45			6,623,979.45
Tianquan Dabainiu Hydroelectric Power Co., Ltd.	3,918,203.29			3,918,203.29

Name of investee	Beginning Balance	Increase during current period	Decrease during current period	Ending balance
Tianquan kangneng Hydroelectric Development Co., Ltd.	12,942,254.35			12,942,254.35
Chengdu GENL Investment Co.,Ltd.	6,275,014.62			6,275,014.62
Chengdu Jinyu Investment Co.,Ltd.	5,706,984.88			5,706,984.88
Zizhonglongyuan Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,522,780.78			1,522,780.78
Yong'an Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,502,487.83			1,502,487.83
Xingwen Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	11,215,360.05			11,215,360.05
Sichuan Zhaojue Electric Power Co., Ltd.	8,703,254.40			8,703,254.40
Pingshan Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	27,442,364.59			27,442,364.59
Gaoxian Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	59,696,176.59			59,696,176.59
Meigu Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	3,409,238.53			3,409,238.53
Shuifu Yangliutan Power Generation Co., Ltd.	37,203,845.61			37,203,845.61
Gongxian Hongli Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,594,574.20			1,594,574.20
Dege Gesa'er Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	15,065,974.59			15,065,974.59
Luzhou Yuyu Electric Power Co., Ltd.	26,643,292.19			26,643,292.19
Chishui Yujin Hydropower Development Co., Ltd.	6,032,147.16			6,032,147.16
Hejiang Laolongkou Electric Power Co., Ltd.	335,216.85			335,216.85
Huaying Local Electrical Power Co., Ltd.	6,253,805.57			6,253,805.57

Name of investee	Beginning Balance	Increase during current period	Decrease during current period	Ending balance
Luzhou Jialeyuan Electrical Development Co., Ltd.	14,825,937.45			14,825,937.45
Sichuan Jinxiang Real Estate Co.,Ltd. acquires its subsidiary	618,413.33			618,413.33
Zigong Energy Investment Huaxi Environmental Power Co.,Ltd.	284,700.00			284,700.00
Yanting Yingji Biotech Development Co.	1,970,550.02			1,970,550.02
Chengdu United Environment Co.	772,485.29			772,485.29
Sichuan New Energy Power Co.	260,779,015.24			260,779,015.24
Chengdu Jintang Jiangyuan Electric Co., Ltd	11,266,766.04			11,266,766.04
Mianning Guotou Dinas Co.	174,914,850.33			174,914,850.33
Sichuan Hengsheng Tianjie Environment Mangement Co.	26,008,153.04			26,008,153.04
Sichuan Panxi Lingshan Tourism Investment Development Co.	55,734,102.59			55,734,102.59
Sichuan Energy Dingsheng Lithium Co.	559,688.33			559,688.33
Design and Research Institute of Sichuan Energy Construction Group	443,353.92			443,353.92
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Renjiao Times Xinhua Audio & Video Co., Ltd.	18,455.00			18,455.00
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Wagott Pharmaceutical Co., Ltd.	2,669,936.04			2,669,936.04
Sichuan Ethnic Investment Co., Ltd.	985,844.54			985,844.54
Sichuan Xingshu Railway Investment Co., Ltd.	1,128,173.36			1,128,173.36
Yanyuan Zhongwei New Energy Technology Co.	42,741.48			42,741.48
Yanyuan Huanlian Juneng Electric Development Co.	41,247,601.38			41,247,601.38
Sichuan Railway Group Urban-rural Investment and Construction Co.	10,640,344.14			10,640,344.14
Sichuan Railway Group	1,063,721.57			1,063,721.57

Name of investee	Beginning Balance	Increase during current period	Decrease during current period	Ending balance
Sichuan Chuanrui Development Investment Co. *2	26,908,982.09			26,908,982.09
Sichuan Transportation Investment Chengtai Insurance Broker Company Limited	3,996,577.50			3,996,577.50
Neijiang Zhengli Real Estate Co.,Ltd.	123,089,858.99			123,089,858.99
Chengdu Chuanjiao Xinrong Construction Engineering Co., Ltd	1,950,000.00			1,950,000.00
Xinlu Pharmaceutical Co., Ltd.	20,124,795.57			20,124,795.57
Nanjing Yinmao	204,847,809.86			204,847,809.86
Shanghai Aowei Technology Co.	85,809,605.90			85,809,605.90
Xinzhu Co.	221,186,927.47			221,186,927.47
Guanghan Urban Gas Co.	3,295,469.93			3,295,469.93
Sichuan Hanlong High-tech Development Co.	71,225,951.18			71,225,951.18
Baotou Menghan Industrial Co.	26,050,203.41			26,050,203.41
Mianyang Fenggu Wine Co.	573,768,900.15			573,768,900.15
Panlong Wine Co.	7,642,255.08			7,642,255.08
Deyang Gas Co.	624,855,689.66			624,855,689.66
Mianyang Xiaodao Construction Development Co.	383,174,649.33			383,174,649.33
Hanlong Expressway Development Co.	169,737,561.63			169,737,561.63
Mianyang Yiduoyuan Real Estate Co.	45,832,627.66			45,832,627.66
Sichuan Kaida Industrial Co.	204,889.13			204,889.13
Sichuan Yiyuan Investment Co.	13,518,760.06			13,518,760.06
Guanghan Jiade Industrial Co.	222,701,200.00			222,701,200.00
Hanlong Industrial Development Co.	207,022.53			207,022.53
Yintai Business Co.	5,791,885.00			5,791,885.00
Beijing SPC Co.	1,095,509,275.88			1,095,509,275.88
Aba Hongyuan Huanju Ecological Energy Co., Ltd	820,900.52			820,900.52
ABA Ruoergai Huanju Ecological Energy Co., Ltd	2,503,274.07			2,503,274.07
Purunda Co., Ltd *1		13,990,250.41		13,990,250.41
Xinzhu Tonggong Co., Ltd *2		129,755,085.26		129,755,085.26
Total	**5,467,918,878.89**	**143,745,335.67**		**5,611,664,214.56**

*1. The increase of this goodwill during current period is due to Development Guohong receiving shares from Purunda Co., Ltd

*2. The increase of this goodwill during current period is due to Development Rail Transit receiving shares from Xinzhu Tonggong Co., Ltd held by Tianfu Hongwei.

(2) Provision for impairment of goodwill

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Sunfor Light	456,297,553.43			456,297,553.43
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Huagao Pharmaceutical Co.	2,669,936.04			2,669,936.04
Deyang Gas Co.	407,133,227.70	165,548,699.86		572,681,927.56
Hanlong Expressway Development Co.	169,737,561.63			169,737,561.63
Daguan Xinhe Power Co., Ltd	29,443,900.17			29,443,900.17
Chengdu Jinyu Investment Co., Ltd	4,565,587.90			4,565,587.90
Beijing SPC Co.	52,802,019.07			52,802,019.07
Sichuan Kaida Industrial Co.*1		204,889.13		204,889.13
Hanlong Industrial Development Co.*1		207,022.53		207,022.53
Yintai Business Co. *1		5,791,885.01		5,791,885.01
Total	**1,126,501,392.47**	**171752496.53**		**1,298,253,889.00**

*1. The increase of impairment of goodwill during current period is recognized by Guoke Co., through goodwill impairment test.

25. Long-term deferred expense

Item	Beginning balance	Increase during current period	Amortization in current period	Decrease during current period	Ending balance
Road renovation projects and preventive maintenance projects.	1,428,338,815.89		121,024,258.68		1,307,314,557.21
Decoration and reconstruction expense	286,568,080.87	72,857,943.15	57,340,325.41	48,842.76	302,036,855.85

Item	Beginning balance	Increase during current period	Amortization in current period	Decrease during current period	Ending balance
Gas station assets improvement expenditures	28,619,625.63		2,250,000.06		26,369,625.57
Other sporadic projects	461,619,661.66	92,814,351.39	130,172,635.18	8,845.45	424,252,532.42
Total	**2,205,146,184.05**	**165,672,294.54**	**310,787,219.33**	**57,688.21**	**2,059,973,571.05**

26. Deferred tax assets

Item	Ending balance	Beginning balance
Provision for asset impairment	1,056,411,721.66	1,079,283,363.00
Deductible tax losses	198,965,594.15	227,580,080.14
Income tax effect of deferred payment of employee benefits payable	2,681,581.99	5,940,462.62
Accrued liabilities	34,606,864.63	31,461,538.53
Internal unrealized profits	452,153,581.08	423,040,592.52
Deferred income	115,936,713.03	115,272,132.50
Accrual interest	49,520,928.03	45,953,181.94
Change in fair value of available-for-sale financial assets	308,590,458.71	215,570,904.42
Change in fair value of tradable financial assets	25,711,736.97	78,200,366.76
Services Area management fee and others	314,078,151.43	178,355,859.18
Total	**2,558,657,331.68**	**2,400,658,481.61**

27. Other non-current assets

Item	Ending balance		Beginning balance	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term debt investments *1	8,221,601,315.01	2,077,099,341.35	8,126,864,315.01	2,081,375,341.35
Prepayment of fixed asset	8,919,159,355.25	3,030,231.84	8,283,581,820.61	3,030,231.84
Temporary facilities and other*2	10,076,049,202.57	138,259,500.00	12,597,028,102.74	138,259,500.00
Joint venture Railway Assets *3	56,272,951,309.20		55,179,060,736.11	
Relocation for poverty alleviation project *4	11,300,000,000.00		11,300,000,000.00	
Hosting assets of national agricultural comprehensive development industrialization	701,098,169.43	23,250,000.00	701,098,169.43	23,250,000.00

Item	Ending balance		Beginning balance	
	Original value	Provision for impairment	Original value	Provision for impairment
project				
Total	**95,490,859,351.46**	**2,241,639,073.19**	**96,187,633,143.90**	**2,245,915,073.19**

*1. Mainly long-term debt investments made by Hydropower Group in urban grids and rural grids.

*2. Temporary facilities and others are mainly temporary works, temporary facilities, road assets, equity subscription funds, etc

*3. As for the details of joint venture railway, please refer to Note XIII 2 Railway Investment Group report ofjoint venture railway.

*4. According to the 13th Five Year Plan of Relocation Plan for Poverty Alleviation in Sichuan Province, State-Owned Assets Management Co. borrowed 11.3 billion from the Agricultural Development Bank of China for the relocation project. The bank loan was invested in the management and operation subject of the relocation project in the form of capital fund, Sichuan Guonong Investment Management Co., Ltd. (hereinafter refer to Guonong Investment Co.). After receiving the above payment, Guonong Investment will transfer loan with the same interest to the local government and platform enterprises for the "13th five year plan" relocation.

In 2018, according to The Notice On The Replacement Of Outstanding Government Debts In 2018 issued by Sichuan MOF, Sichuan MOF allocated local government bond funds to the municipal (prefecture), county (city, district) governments participating in the relocation of poverty alleviation, so that the local governments and platform enterprises could repay loans provided by Guonong Investment. After receiving the above-mentioned funds, Guonong Investment will deliver the funds to the state-Owned Assets Management Co. in the form of current funds, which will be used for the State-Owned Assets Management Co. to replace the loans of Agricultural Development Bank of China. As of July 2018, the 11.3 billion had completed replacement.

28. Breakdown of impairment provision of assets

Item	Beginning balance	Increase during current period			Decrease during current period			Ending balance
		Accrued in current period	Increased by consolidation	Other increase	Decrease by consolidation	Other decrease	Write-off	
Provision for bad debts	10,173,990,109.11	25,279,476.32	481,313,263.45	48,982,140.98	10,301.21	66,075,113.27	2,000.00	10,663,477,575.38
Provision for impairment of inventory	537,941,136.07	31,323,764.19		26,264,467.60	1,976,973.56	121,610,155.38		471,942,238.92
Loan loss provision	237,062,083.75	-2,526,282.54		2,907,560.28				237,443,361.49
Provision for impairment of financial assets available- for-sale	550,741,269.96	-8,100,873.24				94,597,800.00		448,042,596.72
Provision for held to maturity investments	3,044,000.00							3,044,000.00
Provision for impairment of long-term receivables	584,745,282.10	21,369,570.96		14,141.92		677,639.86		605,451,355.12
Provision for impairment of long-term equity investment	133,165,082.41							133,165,082.41
Provision for impairment of investment properties	5,927,406.63			6,930,000.00				12,857,406.63
Provision for fixed assets impairment	1,784,605,899.96		21,855.00	1,324,105.29		14,536,833.18		1,771,415,027.07
Provision for construction in progress	127,128,325.23			11,364,516.45				138,492,841.68
Provision for impairment of productive biological assets	906,930.61							906,930.61
Provision for non-current assets maturing within 1 year	426,369,174.25	-2,803,014.48	158,751,800.00				240,000.00	582,077,959.77
Provision for intangible assets impairment	2,916,310,815.19			73,418.07				2,916,384,233.26
Provision for contract assets impairment	7,925,255.65	2,549,018.06						10,474,273.71
Provision for goodwill impairment	1,126,501,392.47	166,005,496.53		5,747,000.00				1,298,253,889.00
Provision for impairment of other current assets	510,469,034.82	7,463,417.63						517,932,452.45
Provision for other non-current	2,245,915,073.19					4,276,000.00		2,241,639,073.19

Item	Beginning balance	Increase during current period			Decrease during current period			Ending balance
		Accrued in current period	Increased by consolidation	Other increase	Decrease by consolidation	Other decrease	Write-off	
assets								
Total	**21,364,823,015.75**	**240,560,573.43**	**640,086,918.45**	**103,607,350.59**	**1,987,274.77**	**301,773,541.69**	**242,000.00**	**22,053,000,297.41**

29. Short-term loan

Item	Ending balance	Beginning balance
Pledged loan	956,176,673.16	352,754,488.52
Mortgage loan	1,163,250,000.00	1,076,350,000.00
Guaranteed loan	5,884,249,587.57	8,105,808,989.69
Credit loan	41,614,675,204.70	34,109,587,513.28
Transform from notes payable, and letter of credit	149,996,288.05	149,996,288.05
Total	**49,768,347,753.48**	**43,794,497,279.54**

1. Overdue short-term loan as of June 30, 2020

Creditors	Ending balance	Overdue time
CITIC Chengdu Branch	51,683,331.96	2018-02-28
Mianyang Commercial Bank Chengxi Branch	56,220,000.00	2014-2-5
Hengfeng Bank	45,995,308.83	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Minsheng Bank (transformed from notes payable）	99,996,288.05	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Hengfeng Bank (transformed from notes payable)	50,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Total	**303,894,928.84**	

Note: The overdue short-term loans stated above are loans from asset packages from Hanlong Group received by Guoke Co. Please see the details in Note XIII 9.

30. Notes payable

Item	Ending balance	Beginning balance
Bank acceptance notes	3,822,176,448.38	2,293,584,762.18
Commercial acceptance notes	251,022,084.39	200,686,109.11
Total	**4,073,198,532.77**	**2,494,270,871.29**

31. Account payable

1、Aging of accounts payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	32,378,724,644.64	35,004,497,070.09
1-2 years	7,863,605,782.17	6,478,302,190.60
2-3 years	1,550,610,401.06	1,729,041,497.11
Over 3 years	1,680,495,326.21	2,282,665,154.64
Total	**43,473,436,154.08**	**45,494,505,912.44**

32. Advances from customers

Age	Ending balance	Beginning balance
Within 1 year (including 1 year)	10,480,798,034.72	12,059,699,881.57
Over 1 year	3,088,566,209.34	2,910,165,629.42
Total	**13,569,364,244.06**	**14,969,865,510.99**

Large-amount accounts received in advance with aging over 1 year:

Creditor	Ending balance	Reasons for non-transfer
Real estate clients	257,256,002.30	Unsettled
Sichuan Chuanchu Real Estate Co., Ltd	195,622,359.37	Unsettled
China Railway Chengdu Group Co.,Ltd Construction Interval of Chengdu	37,403,042.37	Water, electric power and gas supplying and property management rebuilding not completed
China Chengda Engineering Co., Ltd	28,924,906.27	Income recognition based on contract
Pengshan Development Holding Co., Ltd	13,202,264.14	Income recognition conditions not met
Sichuan Branch of China Telecom Co., Ltd	12,860,543.11	Lease income before income period
Qionglai Construction Development Group Co., Ltd	12,830,188.68	Income recognition conditions not met
Aba Tibetan and Qiang Autonomous Prefecture poverty alleviation and Immigration Bureau (G317)	387,797,460.65	Settlement has not yet been handled
Transportation Bureau of Muli Tibetan Autonomous County	112,776,092.64	Settlement has not yet been handled
Government of Ya'an	107,500,000.00	Settlement has not yet been handled
Foshan Guangfo Zhaozhou Expressway Co., Ltd	59,019,964.34	Settlement has not yet been handled
Total	**1,225,192,823.87**	

33. Contract liability

Item	Ending balance	Beginning balance
Advance payment of real estate project	2,563,587,760.34	1,141,159,099.94
Membership card points	2,781,311.89	3,538,940.71
Total	**2,566,369,072.23**	**1,144,698,040.65**

34. Employee benefits payable

(1) Category of employees' payables

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Short-term payroll	3,906,422,752.39	5,352,369,795.89	7,132,821,124.97	2,125,971,423.31
Post-employment - the defined contribution plan	193,561,270.02	335,305,853.96	342,401,418.39	186,465,705.59
Resignation benefit	4,887,608.13	14,811,556.94	17,985,901.08	1,713,263.99

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Others	440,220.50	11,103,904.31	10,097,934.75	1,446,190.06
Total	**4,105,311,851.04**	**5,713,591,111.10**	**7,503,306,379.19**	**2,315,596,582.95**

(2) Short-term payroll

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Salaries, bonus, allowances and subsidies	3,508,655,214.64	4,301,328,854.55	6,117,359,101.05	1,692,624,968.14
Employees' benefits	23,989,126.47	251,472,636.85	254,805,881.13	20,655,882.19
Social insurance premiums	19,637,358.82	218,666,001.42	209,376,019.79	28,927,340.45
Including:: medical insurance premiums	14,345,811.73	169,501,739.48	164,429,255.29	19,418,295.92
Supplementary pension insurance	400,171.49	5,257,027.66	5,251,611.64	405,587.51
Labor injury insurance	3,211,296.43	9,762,398.68	8,439,997.72	4,533,697.39
Maternity insurance	1,601,758.58	20,305,978.31	19,962,309.68	1,945,427.21
Other comprehensive insurance	78,320.59	13,838,857.29	11,292,845.46	2,624,332.42
Public housing fund	35,730,129.90	416,002,338.00	419,752,568.10	31,979,899.80
Union and staff education fund	311,526,479.06	143,752,547.95	114,891,820.36	340,387,206.65
Others	6,884,443.50	21,147,417.12	16,635,734.54	11,396,126.08
Total	**3,906,422,752.39**	**5,352,369,795.89**	**7,132,821,124.97**	**2,125,971,423.31**

(3) The defined contribution plans

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Basic pension insurance	42,536,488.03	234,202,255.59	237,885,154.77	38,853,588.85
Unemployment insurance	5,614,067.48	5,702,539.05	5,006,424.03	6,310,182.50
Annuity	145,410,714.51	95,401,059.32	99,509,839.59	141,301,934.24
Total	**193,561,270.02**	**335,305,853.96**	**342,401,418.39**	**186,465,705.59**

35. Taxes payables

Item	Ending balance	Beginning balance
VAT	962,351,726.80	1,335,715,888.22
Consumption tax	351,357,907.05	364,788,323.83
Corporate income tax	639,496,472.48	1,344,398,982.45

Item	Ending balance	Beginning balance
Urban maintenance and construction tax	56,010,923.18	79,811,151.98
Stamp tax	25,946,395.78	47,660,060.45
Property tax	28,844,190.14	29,580,652.81
Land use tax	42,527,366.20	40,963,702.89
Individual income tax	40,784,534.71	52,090,883.51
Education surcharge	34,185,192.34	41,833,068.92
Other taxes	168,577,033.53	340,154,426.95
Total	**2,350,081,742.21**	**3,676,997,142.01**

36. Other payable

Items	Ending balance	Beginning balance
Interest payable	5,979,372,654.38	5,253,704,637.76
Dividend payable	1,367,331,091.59	667,079,341.27
Other payable	28,914,392,436.68	28,777,547,584.58
Total	**36,261,096,182.65**	**34,698,331,563.61**

(1) Interest payable

Items	Ending balance	Beginning balance
Borrowing interest*1	3,089,483,208.72	2,094,022,472.98
Corporate bond interest	2,525,923,159.52	2,926,361,331.44
Financial leasing interest		16,838,858.44
Others*2	363,966,286.14	216,481,974.90
Total	**5,979,372,654.38**	**5,253,704,637.76**

*1. The overdue loan interest payable was 402,705,878.94 when Guoke Co. received Hanlong Asset package as of June 30, 2020.

*2. Mainly the interest payable for preferential partners.

(2) Other payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	8,104,982,298.63	7,749,685,173.60
1-2 years (including 2 years)	5,981,099,322.91	4,972,315,045.04
2-3 years (including 3 years)	4,100,823,881.38	6,059,274,897.76
Over 3 years *1	10,727,486,933.76	9,996,272,468.18
Total	**28,914,392,436.68**	**28,777,547,584.58**

*1. Other payables over 3 years mainly contain temporary loan, unit current account, project deposit and deposit.

37. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long term borrowings due within one year	46,637,077,160.30	50,979,199,309.99
Including: Pledge borrowings	4,653,914,551.21	5,184,718,047.63
Mortgage Loan	1,469,672,246.55	2,475,221,249.53
Guaranteed loan	5,406,027,054.28	7,620,396,209.86
Credit loan	35,107,463,308.26	35,698,863,802.97
Long-term debenture due within 1 year	21,517,693,766.53	9,810,785,154.71
Long-term payables due within 1 year	1,794,893,762.08	2,057,841,929.13
Other long-term liabilities due within 1 year	328,659,292.08	146,299,860.39
Total	**70,278,323,980.99**	**62,994,126,254.22**

38. Other current liabilities

Item	Ending balance	Beginning balance
Short term bonds payable	11,335,668,644.42	10,698,968,984.94
Pending output tax	362,653,026.85	2,069,894,059.42
Others	184,356,037.78	139,859,114.92
Total	**11,882,677,709.05**	**12,908,722,159.28**

The ending balance of short-term bonds payable is mainly short-term financing bonds issued by Energy Investment Group, Railway Investment Group and Communications Investment Group with the approval of Inter-bank Dealers Association, with a term of 180-366 days, a nominal interest rate of 3.20% - 7%, and principal and interest being repaid at maturity.

39. Insurance contract reserves

Item	Ending balance	Beginning balance
Unearned premium reserve	158,418,763.16	119,806,451.78
Guarantee reserve	600,580,897.66	520,505,751.98
Total	**758,999,660.82**	**640,312,203.76**

40. Long-term borrowing

(1) Classification of long-term borrowings

Item	Ending balance	Beginning balance
Pledged loan	201,225,403,413.21	195,320,293,790.35
Mortgage Loan	18,143,662,320.73	17,390,762,687.11

Item	Ending balance	Beginning balance
Guaranteed loan	112,661,850,971.03	102,958,536,522.17
Credit loan	156,744,780,165.38	133,660,722,145.92
Total	**488,775,696,870.35**	**449,330,315,145.55**

41. Bonds payable

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Medium-term notes	59,433,232,509.68	7,651,586,749.53	1,000,000,000.00	66,084,819,259.21
Private debt financing instruments	12,269,904,444.44	1,570,000,000.00	1,000,000,000.00	12,839,904,444.44
Corporate bonds	39,640,860,000.00	6,500,000,000.00	2,008,000,000.00	44,132,860,000.00
Less: unrecognized financial charges	314,773,100.72	5,622,962,371.97	203,364,348.15	5,734,371,124.54
Including: medium-term notes	230,261,167.07	5,602,895,487.12	199,066,731.23	5,634,089,922.96
Private debt financing instruments	22,900,188.48	6,566,884.85	2,079,200.56	27,387,872.77
Corporate bonds	61,611,745.17	13,500,000.00	2,218,416.36	72,893,328.81
Total	**111,029,223,853.40**	**10,098,624,377.56**	**3,804,635,651.85**	**117,323,212,579.11**

(1) Breakdown of medium-term notes (Unit: in RMB 10 thousand)

Issuer	Date of issue	Term	Issue amount	Code	Nominal interest rate
The Company	2017	5 years	300,000.00	17 CFZ MTN001	4.76%
The Company	2018	3 years	300,000.00	18 CFZ MTN001	4.99%
The Company	2019	3 years	300,000.00	19 CFZ MTN001	4.08%
The Company	2019	5 years	100,000.00	19 CFZ MTN002A	4.60%
The Company	2019	7 years	100,000.00	19 CFZ MTN002B	4.90%
The Company	2019	5 years	100,000.00	19 CFZ MTN003A	4.00%
The Company	2019	7 years	100,000.00	19 CFZ MTN003B	4.47%
Hydropower Group	2017	5+2 years	100,000.00	17 CSDMTN001	4.76%
Hydropower Group	2019	3 years	100,000.00	19 CNTMTN001	3.95%
Industrial& Financial Holding Co.	2019	5 years	50,000.00	19 CNT MTN002	4.80%
Energy Investment Group	2019	5 years	100,000.00	19 CNT MTN003	4.74%
Energy Investment Group	2019	3 years	200,000.00	19 CNT MTN004A	4.14%
Energy Investment Group	2019	5 years	200,000.00	19 CNT MTN004B	4.45%
Energy Investment Group	2019	5 years	110,000.00	19 CSD MTN001	4.60%
Energy Investment Group	2019	3 years	40,000.00	19 JDCR MTN001	6.78%
Energy Investment Group	2020	3 years	50,000.00	20 JDCR MTN001	5.81%
Energy Investment Group	2020	3 years	50,000.00	20 JDCR ZR001	5.50%

Issuer	Date of issue	Term	Issue amount	Code	Nominal interest rate
Energy Investment Group	2020	3 years	20,000.00	JD	5.75%
Railway Investment Group	2016	5 years	250,000.00	16 CTT MTN001	3.69%
Railway Investment Group	2016	5 years	250,000.00	16 CTT MTN002	4.00%
Railway Investment Group	2018	5 years	300,000.00	18 CTT MTN001	6.05%
Railway Investment Group	2018	5 years	300,000.00	18 CTT MTN003	5.45%
Railway Investment Group	2019	3 years	50,000.00	19 CTT PPN001	3.95%
Sichuan Road& Bridge Co.	2019	3 years	50,000.00	19 SCLQ MTN001	4.39%
Sichuan Expressway Company	2016	5 years	200,000.00	16 CGS MTN001	3.29%
Sichuan Expressway Company	2018	5 years	200,000.00	18 CGS MTN001	5.95%
Sichuan Expressway Company	2018	5 years	100,000.00	18 CGS MTN002	5.37%
Sichuan Communications	2014	7 years	150,000.00	14 CT MTN001	5.70%
Sichuan Communications	2017	5 years	100,000.00	17 CJT MTN002	5.58%
Sichuan Communications	2018	3 years	200,000.00	18 CJT MTN001	5.69%
Sichuan Communications	2018	3 years	350,000.00	18 CJT MTN002	5.34%
Sichuan Communications	2018	5 years	150,000.00	18 CJT MTN003	5.55%
Sichuan Expressway Company	2019	3 years	100,000.00	19 CGS MTN001	4.05%
Sichuan Expressway Company	2019	3 years	140,000.00	19 CGS MTN002	3.54%
Chengyu Expressway	2019	5+5 years	29,000.00	14 CYGS MTN001	6.30%
Sichuan Expressway Company	2019	5 years	200,000.00	19 CGS MTN003	4.03%
Sichuan Expressway Company	2020	5 years	200,000.00	20 CGS MTN001	3.48%
Sichuan Expressway Company	2020	3years	160,000.00	20 CGS MTN002	2.50%
Development International	2018	3 years	346,375.00	Dollar bonds	4.80%
State-Owned Assets Operation	2018	3 years	30,000.00	18 CGZ MTN001	5.27%
State-Owned Assets Operation	2019	3 years	30,000.00	19 CGZ MTN001	4.70%
Environment Investment	2020	5 years	80,000.00	20 QX G1	3.79%
Credit Enhancement Co.	2020	3+2 years	50,000.00	20 TX 01	3.2%
Financial Holding	2020	3 years	100,000.00	20 CJ 01	3.18%
Sichuang Development Assets Management	2020	3 years	50,000.00	20 CZ 02	4.24%
Asset Management	2018	3 years	50,000.00	18 CZ 01	6.50%
Asset Management	2018	3 years	50,000.00	18 CZ 03	6.40%
Total			**6,585,375.00**		

(2) Breakdown of the corporate bonds at the end of the year (Unit: in RMB 10 thousand)

Issuer	Date of issue	Bond term	Issue amount	Code	Nominal interest rate
The Company	2016	10 years	300,000.00	16 CF 01	3.90%

Issuer	Date of issue	Bond term	Issue amount	Code	Nominal interest rate
The Company	2017	3+2 years	400,000.00	17 CF 01	5.09%
The Company	2018	3+2 years	300,000.00	18 CF 01	5.17%
The Company	2018	3+2 years	200,000.00	18 CF 02	4.55%
The Company	2019	5 years	200,000.00	19 CF 01	4.30%
The Company	2019	10 years	100,000.00	19 CF 02	4.75%
The Company	2019	5 years	150,000.00	19 CF 03	3.83%
The Company	2019	7 years	150,000.00	19 CF 04	4.22%
The Company	2019	7 years	50,000.00	19 CF 05	4.40%
The Company	2019	10 years	200,000.00	19 CF 06	4.75%
The Company	2019	5 years	50,000.00	19 CF 07	3.90%
The Company	2019	10 years	200,000.00	19 CF 08	4.57%
The Company	2020	10 years	50,000.00	20 CF 02	3.99%
The Company	2020	5 years	50,000.00	20 CF 03	3.13%
The Company	2020	10 years	300,000.00	20 CF 04	3.99%
Hydropower Group	2016	5 years	100,000.00	16 CD 03	3.35%
Hydropower Group	2017	5 years	180,000.00	17 CD 01	5.58%
Railway Investment Group	2018	5 years	257,000.00	18 CT 01	6.29%
Railway Investment Group	2018	5 years	100,000.00	18 CT 02	6.00%
Railway Investment Group	2018	5 years	102,000.00	18 CT 03	5.99%
Railway Investment Group	2018	5 years	56,000.00	18 CT 04	6.29%
Railway Investment Group	2019	3 years	209,286.00	Dollar bonds	3.80%
Railway Investment Group	2019	3 years	150,000.00	19 CQ 01	4.34%
Railway Investment Group	2020 年	3 years	150,000.00	20 CTT PPN001	3.37%
Communication Investment Group	2018	3 years	240,000.00	Corporate bonds	5.39%
Chengnan Expressway	2020 年	3+2 years	50,000.00	CN Corporate bonds (P1)	3.67%
Chengnan Expressway	2020 年	3+2 years	50,000.00	CN Corporate bonds (P1)	3.25%
Environment Investment Group	2019	18 years	69,800.00	Special plan for supporting	5.40%
Total			**4,413,286.00**		

42. Lease liabilities

Item	Ending balance	Beginning balance
Land use right and others	111,206,376.91	123,543,594.88
Housing and building	223,329,778.61	192,884,591.72
Total	**334,536,155.52**	**316,428,186.60**

43. Long-term payable

Item	Ending balance	Beginning balance
long-term payable	23,776,902,181.40	24,165,338,209.96
Special payable	14,479,381,800.87	14,537,600,829.24
Total	**38,256,283,982.27**	**38,702,939,039.20**

(1). long-term payable

Item	Ending balance	Beginning balance
Financial leasing payable	8,618,804,592.72	9,661,492,135.02
Borrowings of Chengdu Expressway Construction and Development Co., Ltd.	220,000,000.00	220,000,000.00
Sichuan Guonong Investment and management Co. *1	11,300,000,000.00	11,300,000,000.00
Pacific Asset Management Co., Ltd *2	1,780,000,000.00	1,780,000,000.00
Repurchase price of income right of assets (China Railway trust)		270,000,000.00
Others	1,858,097,588.68	933,846,074.94
Total	**23,776,902,181.40**	**24,165,338,209.96**

*1. Please see details in VII. 27 other non-current assets *4

.*2. In January 2019, Sichuan Energy Investment Construction Engineering Group Co., Ltd. and Pacific Asset Management Co., Ltd. signed the investment contract of Pacific Sichuan Energy Investment High-End Equipment Industrial Park Basic Debt Investment Plan, with a contract amount of 1.78 billion and a contract period of 8 years.

(2). Special payables

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Total	**14,537,600,829.24**	**9,201,109,303.65**	**9,259,328,332.02**	**14,479,381,800.87**
Including：				
Financial capital*1	5,086,024,500.00			5,086,024,500.00
Special funds*2	80,000,000.00			80,000,000.00
Railway capital appropriated by the local government*3	8,240,391,534.73			8,240,391,534.73
Funds for repayment of loans relating to rural power grids	64,325,691.27	1,014,353.81	20,565.05	65,319,480.03
Funds appropriated with the authorization of the department of finance	10,000.00	506,760,000.00	324,432,263.37	182,337,736.63

*1. Financial capital is that appropriated by Department of Finance of Sichuan Province to the Company according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd. (Chuan Cai Jian [2009] No. 168).

*2. The special funds are the project funds specially appropriated by Sichuan MOF to the Company and its subsidiaries.

*3. The capital fund appropriated by the local governments for railway projects shall mean investments made by Railway Investment Group in ministerial and provincial railway projects on behalf of districts cities and prefectures according to the Minutes of Meeting of Preliminary Work Coordination Committee of Chengxi, Chenggui and Chengyu Passenger Dedicated Railway Projects issued by Sichuan Development and Reform Commission.

44. Provisions

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Estimated pending action loss	5,130,395.04		222,155.82	4,908,239.22
Provision for return of goods	69,248,504.54	3,994,692.26		73,243,196.80
BOT expressway pavement rehabilitation obligations	327,200,297.93	38,758,123.84		365,958,421.77
Compensation for interest on government debt *1	251,395,005.74		67,969.12	251,327,036.62
Accrued interest on committed share of the transferee fund *2	693,443,717.76			693,443,717.76
Others	48,448,933.59	115,248,202.62	19,500.00	163,677,636.21
Total	**1,394,866,854.60**	**158,001,018.72**	**309,624.94**	**1,552,558,248.38**

*1: For the detail of compensation for interest on government debt, please refers to the Note XIII (3) .

*2: For the detail of accrued interest on committed share of the transferee fund, please refers to the Note IX Commitment (1) 5.

45. Deferred income

Category	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Government grant	3,927,368,690.20	328,097,229.72	160,059,283.02	4,095,406,636.90
Unrealized profit and loss of leaseback	30,869,675.83		2,417,923.14	28,451,752.69
Government investment fund to PPP company	60,736,140.00			60,736,140.00
Others	196,047.18	480,750.09		676,797.27
Total	**4,019,170,553.21**	**328,577,979.81**	**162,477,206.16**	**4,185,271,326.86**

Details of major government grants

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
Land acquisition and demolition fund		664,858,834.24			
Supporting cost of heat supply network construction		286,745,348.21	6,153,366.42		
Zigong power-supply road factory government grants		243,000,000.00			
Project subsidy for new Bailixia interchange and toll station in Xuanhan County		187,104,675.32	7,585,324.68		
Ring West Chengdu Tianfu Greenway Construction		174,866,570.53			
Relocation project		134,839,691.19	3,315,244.50		
BOT project tax return		126,411,343.12	433,342.86		
Disaster recovery and reconstruction project		119,063,169.23	2,467,076.05		
Book subsidy		101,493,336.70	4,444,146.05		
Financial subsidy of Luzhu Guanxuwei project		100,000,000.00			
Subsidy for landscape improvement project along g4201 of Chengdu Tianfu Greenway Construction Investment Co., Ltd		96,500,000.00			
Operating subsidy for Baer Lake Interchange Project		87,980,000.00	4,290,000.00		
Phase III expansion project		85,753,578.92	1,750,597.38		
Widening and reconstruction project of Luhuang Road		82,503,100.00			
Phase II expansion project		74,553,500.22	1,521,499.98		
Enyang Interchange Project		73,973,333.33			
Linshui North Interchange Project		72,279,382.28	2,377,384.56		
Rebuilding fee of Santai toll station		72,196,442.32	1,769,006.30		
Western China Cultural Industrial Park		70,500,109.90		73,711,093.34	
Compensation of land occupation for the project of interchange between “sanzhong” in Tianfu New area and expressway SA2		69,522,297.04	1,358,741.94		
Other scattered government grants		57,181,429.89	2,368,052.22		
Subsidy for landscape improvement project along expressway G4202 phase III		56,307,250.88			
Yuwangmiao interchange		54,369,383.01			

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
management and maintenance project of new urban line of Neijiang*3					
Compensation of house replacement due to the north rebuild of Chengdu		44,544,531.33	614,904.50		
Subsidy for landscape improvement project along expressway G4202 phase II		43,716,642.63			
Dayan toll station construction project		36,453,333.14	2,430,222.24		
Capital supplement for construction of lithium battery material production line		31,500,000.00			
Mianning East server and special products market supporting project		26,878,260.87			
Others (Winshare)		25,158,427.49	768,795.99		
Dazhu South Interchange Project		24,907,704.92	1,216,065.60		
South Yibin rebuilding preoject		23,447,121.00			
The special financial subsidy to Sichuan Publish Media Centre		22,500,000.00			
Yong'an Wenfeng Power Station expanding project		22,468,362.49			
Rebuilding and expanding project of Yuechi toll station		22,325,300.00			
Special subsidy of hydrogen refueling station		21,646,109.20			
Compensation for occupation of Jinfenghuang Road		20,776,472.19	903,324.90		
Yilong County water environment comprehensive treatment project fund		20,690,000.00			
New AC LED white light source industrialization project		19,771,363.40			
Financial subsidy of Quxian expanding		19,208,000.00	392,000.00		
Subsidy of relocation of the Company		19,008,001.12			
Special fund for 2015 water pollution prevention and control project of Minjiang Meishan Branch of Minquan River		17,841,046.20	339,237.54		
Complement contract of project investment contract Ganmeitoubu 201601-1		17,600,000.00	300,000.00		
Integration of water supply for urban and rural area in Mingshan district		15,850,000.00	7,000,000.00		
Subsidy of pollution prevention		15,200,000.07	266,666.64		

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
for China Western Modern Logistics Port					
Collection by Luhuang road Expressway Management Office		14,730,861.00			
Rebuilding project of process of terminal		14,250,000.00			
Test line of medium and low speed magnetic levitation		14,000,000.00			
Subsidy to BOT company for canceling toll station between the boundary of province		13,930,051.98	79,148.02		
Land occupation compensation of expressway Chenganyu		12,398,859.41	539,080.86		
Sanxingdui Original Animation Film Golden Mask		11,500,000.00			
Funds for attached pipe net of Jiangan draining pollution prevention project phase II		10,855,844.73	571,360.26		
Funds for the early stage of Period expanding project		10,490,655.98	2,509,344.02		
Rebuilding project of air traffic control facilities		10,480,000.00			
House demolition at the north gate of Santai Branch of Mianyang		10,118,188.31	334,912.46		
Subsidy of rebuilding of Gaopin toll station		10,000,000.00			

46. Deferred tax liabilities

Recognized deferred income tax liabilities	Ending balance	Beginning balance
Appreciation of long-term assets valuation	2,214,481,687.60	2,255,739,900.83
Change in fair value of financial assets held for trading	354,208,215.13	399,799,693.80
Change in fair value of other non-current financial assets	50,097,590.48	
Depreciation of fixed asset	2,427,708.52	3,899,288.21
Long-term receivables	101,128,254.57	136,604,805.20
Change in fair value of financial assets available-for-sale	33,237,318.54	9,966,627.46
Highway operation rights tax benefit recouped in previous years of Intangible assets	30,177,740.66	1,826,252.04
Equity exchange income*1	304,873,652.76	304,873,652.76
Gains or loss from Residual equity measured by fair value after losing control*2	208,962,242.05	208,962,242.05
Others	362,282,052.28	263,031,861.68
Total	**3,661,876,462.59**	**3,584,704,324.03**

*1. Equity exchange income is the gain on the deferred tax recognized in 2016 by Energy Investment Group in exchange for its stake in Sanxia Jinsha Jiangchuanyun Hydropower development Co., Ltd.

*2. The deductible temporary differences arising from gains or loss from residual equity measured by fair value after losing control is due to the Land Co.'s disposal of 5 project corporations in Renshou.

47. Other non-current liabilities

Item	Ending balance	Beginning balance
New-China Trust Co.	16,000,000.00	16,000,000.00
Compensation for occupation in Chengpeng Expressway	18,005,449.74	18,766,243.38
Payable for airport and provisions for airport maintenance	32,348,862.21	35,141,707.57
Unsettled construction received in advance (Pengxi's Government)	42,810,000.00	42,810,000.00
Unsettled construction received in advance (Management Committee of Suining Jinqiao)	35,000,000.00	35,000,000.00
Funds received in advance in real estate	456,276,626.29	950,877,709.39
Receivables over 1 year	40,436,933.99	42,367,761.73
Interests of airworthiness fund limited partners	51,990,290.18	51,213,465.33
Loans from non-financial entities	39,400,000.00	39,400,000.00
Others	98,413,213.95	20,137,017.53
Total	**830,681,376.36**	**1,251,713,904.93**

48. Paid-up capital

Name of Investor	Book value as of the beginning of the year		Increase during the year (0000)	Decrease during the year(0000)	Book value as of the end of the year	
	Amount of investment(0000)	%			Amount of investment(0000)	%
Sichuan SASAC	7,404,106.00	100.00			7,404,106.00	100.00
Total	**7,404,106.00**	**100.00**			**7,404,106.00**	**100.00**

For the detail of the paid-in-capital, please refers to Note I General Information.

49. Capital reserves

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
1. Capital (share capital) premium	53,772,562,325.84	5,417,475,729.13		59,190,038,054.97
2. Other capital reserve	47,701,398,179.89	738,966,483.40	248,125,223.82	48,192,239,439.47
(1) Change in other equities of the investee and others	5,856,130,157.93	491,807,684.58		6,347,937,842.51
(2)Others	41,845,268,021.96	247,158,798.82	248,125,223.82	41,844,301,596.96
Total	**101,473,960,505.73**	**6,156,442,212.53**	**248,125,223.82**	**107,382,277,494.44**

(1) The increases in capital reserve-capital premium are mainly due to:

a. Railway Group receiving special financial fund of railway totaling 3,874.1145 million

b. Sichuan Communication receiving subsidy funds totaling 789.8 million of Car Purchase Tax of the main communication projects in 2020 from Sichuan Provincial Treasure; receiving subsidy funds totaling 653.5612 million for canceling toll station between the boundary of province from Sichuan Provincial Treasure; and receiving foundation construction subsidy funds within the budget totaling 100 million from Sichuan Provincial Treasure.

(2) Changes in other equities of the investee are mainly due to the recognition of change of Airport Group's capital reserve based on the shares held by the Company totaling 489.3323 million.

50. Surplus reserve

Item	Beginning balance	Increase during current period	Decrease during current period	Ending balance
Legal earned surplus reserve	893,977,136.03			893,977,136.03
Total	**893,977,136.03**			**893,977,136.03**

51. Retained earnings

Item	Amount as of the end of the period	Amount as of the beginning of the period
Amount as of the end of the previous period	**3,114,575,004.32**	**2,339,604,519.24**
Add: adjustment amount of retained profits at beginning of the period		
Including: major correction of prior-year error		
Amount at the beginning of current period	**3,114,575,004.32**	**2,339,604,519.24**
Add: net profits belonging to parent company owner during current period	-6,013,313,760.30	-1,066,254,470.10
Decrease during current period		
Including: Withdraw of statutory surplus reserve		
Withdraw of discretionary surplus reserve		
Withdraw of general risk reserve		
Ordinary share dividends payable		
Other decreases		
Amount as of the end of current period	**-2,898,738,755.98**	**1,273,350,049.14**

52. Operating income and operating costs

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
(1) Sub-total of principal businesses	89,375,148,866.73	78,530,225,437.31	111,845,408,036.39	98,095,089,376.56

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Including: transportation facilities operation and construction	36,805,069,176.86	31,468,559,910.92	37,210,287,199.91	28,883,927,265.17
Trade*1	38,402,800,016.92	37,289,232,574.69	63,032,212,686.34	60,980,509,353.48
Media and culture	3,617,826,645.95	2,033,676,631.37	4,016,028,814.83	2,386,118,843.77
Power generation and supply	7,951,177,627.88	6,623,074,714.72	6,271,654,483.32	5,273,448,451.60
Others	2,598,275,399.12	1,115,681,605.61	1,315,224,851.99	571,085,462.54
(2)Sub-total of other businesses	1,874,633,927.59	897,038,662.52	1,262,805,033.26	329,686,196.28
Including: rent	159,165,700.98	20,808,170.16	209,565,255.82	64,478,966.08
Fund possession cost	151,712,933.97		152,445,485.64	
Others*2	1,563,755,292.64	876,230,492.36	900,794,291.80	265,207,230.20
(3) Interest income	15,091,660.48		14,689,789.68	
(4) Commission and brokerage	1,357,193.09	2,922,247.99	8,050.24	1,410,168.86
Total	**91,266,231,647.89**	**79,430,186,347.82**	**113,122,910,909.57**	**98,426,185,741.70**

*1 Revenue in trade increased is mainly due to the increase of trade revenue of Sichuan Energy Investment Material Industry Group Co., Ltd, a subsidiary of Energy Investment Group, CNPC Railway Co., Guangrun Logistic Trading Company and Sichuan Zhonghang Road& Bridge Company w, Transportation Investment industrial Company and Sichuan Port and Channel Development Company and Sichuan Communications Logistics Co.

*2 Other income in sub-total of other businesses mainly refers to material sales income, power installation project income of the subsidiaries of Energy Investment, and guarantee income and entrusted loan interest income of subsidiaries of Railway Investment Co.

53. Business tax and surcharges

Item	Amount for current period	Amount for previous period
Consumption duty	53,963,182.68	71,694,536.29
Urban maintenance and	97,362,789.77	113,373,945.80
Education surcharge	66,582,608.15	64,083,996.09
Local education surcharge	16,864,637.56	20,814,505.42
Resource tax	22,179,445.38	42,455,525.77
Stamp tax	63,252,797.38	38,577,299.99
Land value added tax	129,944,941.58	20,780,135.28
Land utilization tax	40,465,169.61	50,688,261.98
Property Tax	69,064,106.73	73,012,999.30
Others *1	42,118,909.85	35,234,970.61

Item	Amount for current period	Amount for previous period
Total	**601,798,588.69**	**530,716,176.53**

*1. Other are mainly vehicle and vessel tax and disabled persons security fund.

54. Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses *1	11,778,692,183.00	10,377,346,906.44
Less: Interest income	1,380,971,632.14	871,429,528.06
Add: Exchange loss	92,032,863.22	46,088,794.05
Add: Other expenses	123,960,384.70	129,418,909.19
Total	**10,613,713,798.78**	**9,681,425,081.62**

55. Gains from changes in fair value

Item	Amount for current period	Amount for previous period
Trading financial assets	2,981,742.31	
Gains from changes in fair value of financial assets at fair value through profit or loss	338,718,587.61	368,819,096.42
Investment properties at fair value through profit or loss	87,085,674.19	
Total	**428,786,004.11**	**368,819,096.42**

56. Credit impairment losses

Item	Amount for current period	Amount for previous period
Impairment loss on Receivables	-22,244,829.89	-47,039,169.27
Impairment loss on Other receivables	-115,507,182.99	14,104,590.75
Impairment loss on Notes receivables		-2,813,003.40
Impairment loss on Contract Assets	-2,549,018.06	
Impairment loss on Long-term receivables	-7,070.96	-67,200.00
Total	**-140,308,101.9**	**-35,814,781.92**

57. Impairment losses

Item	Amount for current period	Amount for previous period
Bad debt loss	112,472,536.56	-77,850,344.05
Impairment loss of inventory	-31,323,764.19	-23,577,134.31
Provision for impairment of available-for-sale financial assets	8,100,873.24	-1,337,057.61
Impairment loss on long-term receivables	-21,362,500.00	40,098,774.67
Impairment loss on long-term equity investments		
Impairment loss of fixed assets		-5,315.61

Item	Amount for current period	Amount for previous period
Impairment loss of construction in progress		
Impairment loss of intangible assets		
Impairment loss of other current asset/other non-current asset	-7,463,417.63	-7,603,990.88
Provision for impairment of other non-current assets maturing with 1 year	2,803,014.48	
Impairment loss of goodwill	-166,005,496.53	
Loan loss provision	2,526,282.54	7,772,604.59
Impairment loss on held-to-maturity		
Impairment loss on investment property		
Impairment loss on biological assets		
Total	**-100,252,471.53**	**-62,502,463.20**

58. Investment income

Sources of investment income	Amount for current period	Amount for previous period
Gains on long-term equity investment under cost method	17,648.09	
Gains on long-term equity investment under equity method	-598,531,085.01	1,842,127,238.00
Gains on disposal of equity investment	20,869,118.18	844,199,397.40
Gains on trading financial assets during holding period	106,211,374.94	88,309,782.34
Gains on held-to-maturity investment during holding period	83,581,169.17	23,838,267.70
Gains on available-for-sale financial assets during holding period	214,272,800.16	630,384,749.76
Gains on other equity instruments	85,901,363.87	
Gains on disposal of trading financial assets	407,381,621.09	53,186,854.20
Gains on disposal of available-for-sale financial assets	10,682,430.40	12,048,646.98
Gains on entrusted loans	589,807,400.57	527,146,580.89
Others	351,247,712.65	424,032,501.27
Total	**1,271,441,554.11**	**3,021,640,152.05**

59. Gains on disposal of asset

Item	Amount for current period	Amount for previous period
Disposal gains on non-current assets	39,452,269.60	3,998,193.34
Including: disposal gains on fixed assets	39,452,269.60	3,998,193.34
Disposal gains on intangible assets		
Disposal gains on investment property		
Others	17,496.99	320,782.75
Total	**39,469,766.59**	**4,318,976.09**

60. Other income

Item	Amount for current period	Amount for previous period
Government grants	215,282,990.14	275,066,528.76
Others	2,482,125.16	2,638,949.39
Total	**217,765,115.30**	**277,705,478.15**

The details of government grants：

Item	Amount for current period	Amount for previous period
Yuwangmiao interchange management and maintenance project of new urban line of Neijiang	4,027,361.74	4,027,361.74
Subsidy for medium and small airport of civil aviation		3,299,606.14
Book publishing susidy		11,292,616.55
Tax return	24,518,738.20	9,480,819.43
Financial subsidies for earthquake damage		2,470,676.24
Subsidy for key technology of digitized education integration and application		258,103.29
Subsidy of Steady Work	6,723,530.76	329,514.60
Government grants of Dujinggang District		26,471,905.58
VAT immediately levy and refund	17,458,245.31	55,607,086.51
Compensation for land in Longma New City		13,950,000.00
Subsidy of Western Cultural City		128,030.17
Linshui North Interchange Project	2,377,384.56	2,377,384.55
Subsidy for Jiuhuang Airport project		3,684,850.44
Subsidy for Tax Reform of cars		32,150,000.00
Special funds for international trading development		380,600.00
Other government grants *1	160,177,729.57	109,157,973.52
Toal	**215,282,990.14**	**275,066,528.76**

Other government grants were mainly subsidy of film and TV works, subsidy of construction projects in Sichuan Communications Investment Co.

61. Non-operating income

Item	Amount for current period	Amount for previous period
Gains on disposal of non-current assets	8,103,405.85	4,752,389.76
Debt restructuring gains *1	475,349,072.72	119,797,536.63
Acceptance of donation	5,000.00	232,956.86
Non-monetary assets exchange gains		1,126,135.73
Government grants	224,956,124.28	79,117,270.98

Gain in inventory surplus	339,530.75	83,873.12
Compensation income	43,335,069.89	17,124,163.66
Others	71,620,854.95	112,998,723.84
Total	**823,709,058.44**	**335,233,050.58**

(1) Government subsidies

Item	Amount for current period	Amount for previous period
Reward of industry fund developing	1,422,000.00	
Subsidy of Fubao Scenic Area integrated development project		8,000,000.00
Subsidy of relocation	15,451,856.42	5,672,213.94
Longtan Infrastructure construction		27,490,286.00
Supporting funds for private economics	45,400.00	8,388,600.00
Others*1	208,036,867.86	29,566,171.04
Total	**204,172,042.94**	**141,079,880.21**

*1: Other government grants mainly include discount of treasure bonds, subsidy for water, electric power, and gas supplying and property management, reward funds of interacting between finance and government, and supporting funds from government.

62. Non-operating expenses

Item	Amount for current period	Amount for previous period
Donations contributed	55,070,862.05	22,641,293.16
Debt restructuring loss		273,966.79
Abnormal loss	77,985.00	2,989,578.20
Discard and scrap of fixed asset	8,836,498.53	4,782,426.41
Compensation, liquidated damages and fine expenses	19,466,223.28	14,165,336.58
Others *1	35,087,813.18	37,851,948.78
Total	**118,539,382.04**	**82,704,549.92**

*1. Others are mainly fees of equity purchase, tax of reduction of equity, and repair of road etc.

63. Income tax expenses

Item	Amount for current period	Amount for previous period
Current tax expense calculated in accord with the tax stipulation	944,685,512.00	974,707,633.52
Deferred tax expense adjustment	71,045,792.56	58,199,349.40
Total	**1,015,731,304.56**	**1,032,906,982.92**

64. Borrowing costs

Item	Amount for current period
1.Expensed borrowing costs *1	12,478,692,183.00
2.Capitalised borrowing costs	2,356,198,205.87
Including: Capitalized borrowing costs in fixed assets	3,212,983.42
Capitalized borrowing costs in construction in progress	1,739,025,916.65
Capitalized borrowing costs in intangible assets	532,683.70
Capitalized borrowing costs in inventories	223,517,545.65
3.Capitalised borrowing costs in other non-current assets	389,909,076.45
Total	**14,834,890,388.87**

*1 The difference between Expensed borrowing costs and Financial expense-interest expenses is due to Energy Group receiving the discount of loan interest of electrical grid of rural area totaling 700 million which writes off the interest expenses..

65. Segment information (Unit: RMB '0000')

Item	Investment or financing business		Transportation facilities operation and construction business		Trade business		Media and culture business	
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period
Operating income	32,239.91	31,493.37	3,777,351.91	3,834,760.52	3,829,217.03	6,310,815.54	375,704.42	409,296.96
Including: external transaction income		-	3,774,120.00	3,804,206.51	3,829,006.64	6,310,815.54	375,704.42	409,296.96
Inter-segment transaction income	32,239.91	31,493.37	3,231.91	30,554.01	210.39	-		-
Gain on investments in joint ventures and associates	-3,654.64	18,402.53	-112,815.23	32,974.72	-1,825.70	2,669.64	3,196.19	3,874.73
Asset impairment loss	-35,188.52	-16,978.85	279.67	2,003.78	7,058.28	527.64	3,122.73	5,611.94
Depreciation cost and amortization cost	76.06	108.43	498,624.13	283,224.21	35,142.23	49,118.46	9,120.39	8,364.30
Total profit	-52,296.10	1,367.72	-381,878.04	170,017.56	71,470.54	37,813.01	54,364.57	61,282.60
Income tax expenses		-	46,256.24	58,894.51	5,866.80	10,426.40	2,686.69	1,827.64
Net profit	-52,296.10	1,367.72	-429,356.19	111,123.05	66,825.64	27,386.61	51,677.88	59,454.96
Total assets	24,797,488.88	23,423,480.55	82,277,941.17	76,581,323.35	4,346,042.90	8,331,380.94	2,422,394.41	2,234,146.55
Total liabilities	12,445,414.13	10,324,665.27	57,651,279.15	53,384,323.62	2,973,006.33	5,667,969.97	819,536.52	769,831.15
Other significant non-cash items		-		-		-		-
Amount of increase in other non-current assets other than long-term equity investments	-599,736.09	445,902.18	1,990,345.58	2,337,764.38	53,036.20	72,548.49	-20,947.91	59,015.69

(Continued)

Item	Power generation and supply business		Other		Elimination		Total	
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period
Operating income	819,754.56	650,940.07	338,924.43	138,907.16	-46,569.10	-63,922.53	9,126,623.16	11,312,291.09
Including: external transaction income	816,621.23	650,940.07	334,817.17	137,026.69	-3,646.30	5.32	9,126,623.16	11,312,291.09
Inter-segment transaction income	3,133.33	-	4,107.27	1,880.47	-42,922.81	-63,927.85		-
Gain on investments in joint ventures and associates	42,530.30	39,702.16	16,283.62	10,480.15	-16,110.97	-10,599.32	-72,396.42	97,504.61
Asset impairment loss	-646.96	799.75	-1,193.77	1,331.99	36,593.82	16,535.47	10,025.25	9,831.72
Depreciation cost and amortization cost	66,033.09	56,390.16	55,867.92	13,014.31		-	664,863.82	410,219.87
Total profit	43,073.88	31,721.32	112,161.19	66,806.56	-70,915.75	-52,843.24	-224,021.66	316,165.53
Income tax expenses	16,061.82	15,873.68	30,231.49	16,105.22	470.08	163.25	101,573.13	103,290.70
Net profit	27,012.06	15,847.64	81,929.68	50,701.35	-71,387.77	-53,006.49	-325,594.79	212,874.84
Total assets	16,363,875.79	13,483,371.54	12,820,595.07	8,972,117.67	-22,359,730.74	-20,706,288.17	120,661,615.05	112,319,532.43
Total liabilities	12,078,255.43	9,967,537.94	7,610,876.08	4,889,739.44	-4,320,298.39	-3,647,627.16	89,251,076.82	81,356,440.23
Other significant non-cash items		-		-		-	-	-
Amount of increase in other non-current assets other than long-term equity investments	321,680.09	299,642.76	847,672.37	258,009.39	196,177.28	-240,373.62	2,788,227.52	3,232,509.27

Note: the segment information above shall be determined by industry. Since some operation segments involves cross-industry operation, the operating income of various operation segments stated above may be inconsistent with the detailed data disclosed in Note VII 52.

66. Explanation of consolidated cash flow

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for current period	Amount for previous period
1.Reconciliation of net profit to cash flow from operating activities		
Net profit	-3,255,947,910.11	2,128,748,356.71
Add: provision for asset impairment	240,560,573.43	98,317,245.12
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	3,399,956,003.68	2,715,043,077.73
Amortization of intangible assets	2,190,935,695.99	1,168,454,676.81
Amortization of long-term deferred expense	310,787,219.33	218,700,947.54
Loss on disposal of fixed assets, intangible assets and other long-term assets	-39,469,766.59	-4,318,976.09
Losses on retirement of fixed assets ("–" for gain)	-275,878.49	-218,883.51
Loss on change in fair value ("–" for gain)	-428,786,004.11	-368,819,096.42
Financial expenses ("–" for income)	11,778,692,183.00	10,377,346,906.44
Investment loss ("–" for income)	-1,271,441,554.11	-3,021,640,152.05
Decrease in deferred tax assets ("–" for increase)	-64,979,295.78	-46,398,121.19
Increase in deferred tax liabilities ("–" for decrease)	122,763,617.23	60,554,428.26
Decrease in inventories ("–" for increase)	-4,991,098,041.52	-9,142,560,707.56
Decrease in operating receivables ("–" for increase)	-6,036,424,592.39	-7,368,627,318.42
Increase in operating payables ("–" for decrease)	-2,018,804,317.97	-1,015,893,693.57
Others		
Net cash flow from operating activities	-63,532,068.41	-4,201,311,310.20
2. Major investment and fund-raising activities involving no cash receipts and payments		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets financed by leasing		
3. Net increase in cash and cash equivalents		
Cash at the end of the year	114,429,928,668.04	127,593,518,903.67
Less: cash at the beginning of the year	111,604,669,038.77	115,156,718,077.08
Add: cash equivalents at the end of year		
Less: cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	2,818,146,161.09	12,436,800,826.59

(2) Cash and cash equivalents

Item	Amount for current period	Amount for previous period
Cash	114,429,928,668.04	127,593,518,903.67
Including: cash on hand	82,460,122.16	55,997,788.47
Bank deposits readily available for payment	102,225,448,081.92	108,406,825,608.18
Other monetary capital that can be used to pay at any time	12,122,020,463.96	19,130,695,507.02
Deposits held at call with the central bank		
Due from banks		
Call loan to banks		
Cash equivalents		
Including: Bond investment due within three month		
Balance of cash and cash equivalents at end of the year	114,429,928,668.04	127,593,518,903.67
Restricted cash and cash equivalents of parent companies and subsidiaries in the Group	3,956,176,859.05	1,949,197,780.04

67. Assets with restricted ownership

1. As of June 30, 2020, assets with restricted ownership are as follow:

Category	Ending Balance	Reasons for being restricted
1.Restricted assets used for mortgaged and pledge guarantees		
Cash and cash equivalents	3,942,328,354.81	Guarantee*1
Inventory	7,491,364,236.31	Loan mortgage，pledge guarantee*2
Account receivables	2,042,164,460.06	Loan mortgage，pledge guarantee
Notes receivables	122,607,122.22	Loan mortgage，pledge guarantee
Dividends	9,696,643.32	
Fixed assets	14,299,415,805.68	Loan mortgage，pledge guarantee and financial leasing assets*3
Financial assets available for sales	177,507,757.24	Loan mortgage，pledge guarantee
Intangible assets	77,473,616,393.12	Loan mortgage，pledge guarantee*4
Investment property	-1,132,801,366.56	Loan mortgage，pledge guarantee
Non-current assets matured within one year	337,230,927.56	Loan mortgage，pledge guarantee
Construction in progress	908,507,591.67	Loan mortgage，pledge guarantee
Long-term equity investment	8,879,056,600.00	Loan mortgage，pledge guarantee*6
Long-term receivables	6,320,014,545.13	Loan mortgage，pledge guarantee *5
Other non-current assets	50,000,000.00	Loan mortgage，pledge guarantee
Sub-total	**120,920,709,070.56**	
2. Restricted assets for other reasons		
Cash and cash equivalents	13,848,504.24	Special funds under supervision, blocked fund by court

Category	Ending Balance	Reasons for being restricted
Fixed assets	105,289,063.56	Special funds under supervision, blocked fund by court
Other non-current assets	3,164,512,712.50	Special funds under supervision, blocked fund by court
Other non-current assets	1,454,762,605.53	*7
Sub-total	4,738,412,885.83	
Total	**125,659,121,956.39**	

Explanations for major restricted events:

*1. Restricted monetary fund are mainly letter guarantee, credit certificate guarantee and bank acceptance guarantee. For the details, please refer to Notes VII (1) 2.

*2. Restricted inventory was mainly contributed by the loan borrowed by Railway Investment Group, Energy Investment Group, Communications Group and Guoke Co. pledged the project development land.

*3. Restricted fixed assets mainly referred to the loans of the Railway Investment Group with its power station assets, railway assets, houses and buildings, the Energy Investment Group with its houses and buildings, Development International Co. with flight equipment, Environment Investment Group with buildings, equipment, production lines, and Xinzhu Co. shares with buildings as collateral.

*4. Restricted intangible assets mainly referred to the loan of Railway Investment Group, Communications Investment Group and Guoke Co. with their toll collection right of expressway as collateral

*5. Restricted long-term receivables mainly Railway Investment Group's PPP project and Energy Investment Group's receivables for financial leasing which were used as collateral for loan.

*6. Restrictions of long-term equity investment mainly were: (1).the Company pledged RMB 6.06 billion shares in Sichuan Communications for obtaining RMB 5 billion loan from Postal Savings Bank of China Sichuan branch, the loan term is 10 years. As of December 31, 2019, the total balance of the loan is RMB 846.94 million. (2). Energy Investment pledged its equity interests in Hydropower Group for obtaining equity interests in ICBC Credit Ruixin Investment Management Co., Ltd. and bank loans from. (3) Environment Investment Group will use all the equity of Xingwen Water Supply Company, Xingwen Drainage Company, Meishan Drainage Company, Southern Drainage Company, 80% of Guiyang Drainage Company and Beijing SPC (136,835,000 shares) to pledge loans of Agricultural Bank of China, local rural commercial banks and China Minsheng Bank. (4) The Communications Group pledged the loan with the equity income right of China Merchants Road Network Technology Holding Co., Ltd.

*7. Sichuan Langchuan Road Co., Ltd., a subsidiary of Communications Group, signed the Langchuan road Management And Maintenance Transfer Agreement with ABA Transportation Bureau. Since July 1, 2015, ABA Transportation Bureau has the right to manage and use the received Langchuan road assets.

Notes: As of June 30, 2020, the total pledged loan in the consolidated financial statements is about RMB 227.612 billion, yet the pledged and guarantee assets in the restricted assets disclosure above are only RMB 116.978 billion, which are less than the balance of pledge and guarantee loan due to the reason that the subsidiaries have different understanding of the disclosure of restricted assets and may not fully disclosed the information, which caused the incompleteness of the consolidated information.

VIII. EXPLANATION OF CONTINGENCIES

1. Internal and external guarantees as of June 30, 2020(unit RMB: '0000'):

Guarantor	Intra-group guarantees	Extra-group guarantees
The Company	4,619,438.39	
Energy Investment Group	1,647,435.25	881,006.67
Transportation Investment Group	1,532,520.62	790,000.00
Railway Investment Group	5,626,775.96	1,319,471.28
Mineral Investment Group	48,000.00	
Sichuan Non-ferrous Technology	10,000.00	
Xinzhu Co.	50,878.90	
Sichuan city investment	87,300.00	
Guoke Co.	388,851.57	
Salt Industry Investment	12,000.00	
Financial Holding Group		2,137,000.00
Environment Investment Group	291,799.45	
Development Tonghao	1,500.00	
Total	**14,316,500.14**	**5,127,477.95**

External guarantees are as follows (Unit: 10 thousand):

Guarantor	Guarantee	Amount of guarantee
Financial Holding Group (Financial Guarantee Co)	Business guarantee provided by Sichuan Development Financing Guarantee Co., LTD	2,137,000.00
Energy Investment Group	Business guarantee provided by Sichuan Jinyu Financing Guarantee Co., LTD (Note 1)	852,967.91
Energy Investment Group	Yulin Chuanneng Huaxi Environmental Electricity Generation Co.	2,000.00
Energy Investment Group	Zhangming (Note 2)	5,000.00
Energy Investment Group	Sichuan Investment Gas Power Generation Limited Co., Ltd.	3,000.00
Energy Investment Group	Sichuan Nengtou Chemical New Materials Co., Ltd.	8,773.69
Energy Investment Group	Lianli environmental protection new energy Co., Ltd	4,000.00
Energy Investment Group	Sichuang Mianyang Aizhong Electricity Generation Co.	4,640.92
Energy Investment Group	Sichuan Energy Investment Smart City Investment Co., Ltd	624.15
Railway Investment Group	Sichuan BaGuangYu Expressway Development Co., Ltd	104,389.81
Railway Investment Group	Bada Railway Co.	58,463.31
Railway Investment Group	Sichuan Xuda Railway Co., Ltd.	314,010.49

Guarantor	Guarantee	Amount of guarantee
Railway Investment Group	Xuzhen Railway Co	77,500.00
Railway Investment Group	Chuannan Inter-city railway Co.	234,433.00
Railway Investment Group	Sichuan Luqiao Mining Investment Co.	7,000.00
Railway Investment Group	Sichuan Xiaojin River Hydro-power Development Co.	99,322.67
Railway Investment Group	Ningbo Shutong Road & Bridge Construction Co.	89,500.00
Railway Investment Group	Dacheng Railway Co. (Da-wan segement)	9,587.00
Railway Investment Group	Leba Railway Co.	29,169.00
Railway Investment Group	Sichuan Lianle Railway Co.	170,000.00
Railway Investment Group	Sichuan Ruikong Industrial Co.	111,000.00
Railway Investment Group	Sichuan Chongde Development Industry Co., Ltd	15,096.00
Sichuan Transportation Group	Sichuan Port and Waterway Development Co., Ltd	790,000.00
Total		**5,127,477.95**

Note1: External guarantee from the Financial Guaranty Co., Guoke and Jinyu Financial Guaranty Co. is the guarantee for clients which will not list the details due to the huge number of clients.

Note2: Sunfor Co, the subsidiary of Energy Investment, signed Maximum Guarantee Contract with Bank of Shanghai, providing guaranty for Zhang Ming's claim, which would be the principal claim, occurred between December 31, 2015 and December 30, 2018. The maximum principal balance of guaranteed claim was no more than 150 million. As of June 30, 2020, Bank of Shanghai provided a loan with the balance of 50 million to Zhang Ming, and Zhang Ming has escaped overseas.

Note 2: Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of contingency items for a variety of reasons by companies is exist. This consolidated statement is only disclosed based on each company's disclosures.

Note: Due to the consolidation of financial statements of subsidiaries of the group, each company may have incomplete disclosure of guaranteed matters for various reasons. This consolidated statement is disclosed only on the basis of what has been disclosed by each company.

2. As of June 30, 2020, contingent liabilities arising from major pending actions and arbitrations of the Group

(1)Details of the Group as prosecutor (Unit: 10 thousand)

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Yuexi County Enbo Hydropower Development Co., Ltd	Xu Anhua	Claims dispute	1,460.11	Chengdu Intermediate people's Court of Sichuan Province is accepting
Financial Guarantee CO.	Enterprises that not recover the financial guarantees payment	Reimbursement without repayment	2,000.00	RMB 20 million of pending litigation, no final judgment on litigation matters, and the recoverable amount is still uncertain
The subsidiary of Sichuan Transportation Investment Group Co., Ltd	Xiamen Enji International Freight forwarding Co., Ltd., Guangzhou Hongfu Logistics Co., Ltd.	The abuse of power by the transport agent led to the loss of goods	635.70	Guarantee measures: A lawsuit has been filed with the maritime courts of Xiamen and Guangzhou, and the preservation has been ordered. Fully seized three sets of real estate of the two companies and bank deposits of more than 1.2 million yuan in cash. The amount of preservation and seizure has completely covered the amount of debt, and the risk can be controlled. The litigation situation of the case: the Xiamen court has completed the first trial, our company has appealed, and has now entered the second trial procedure. Guangzhou Maritime Court involved an amount of more than 5 million yuan. Our company has been awarded a comprehensive victory in the first instance. Now the other party has appealed the result of the first instance and entered the second instance procedure. If the civil action cannot be successful, the criminal method may be considered for recovery.

(2) Details of the Group as defendant (Unit: 10 thousand)

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Jiangsu Yicheng Electric Power Equipment Co. Ltd	Sichuan Zhongneng New Material Technology Development Co. Ltd	Quality problems of processing materials	500.00	Still in the process of litigation
Hebei North Highway Engineering Construction Group Co., Ltd	Sichuan Dawan Expressway Co., Ltd	Idling loss and material adjustment not caused by the applicant	2,000.00	Chengdu Arbitration Commission issued a notice of reply to the respondent on March 6, 2018. As of the balance sheet date, the case is not closed.
Hunan Xiangtan Highway and Bridge Construction Co. LTD	Sichuan Yameile Expressway Co., Ltd.	Reduce project payment disputes	941.54	The case has been heard for the second time and has not been decided. At present, the two sides are actively negotiating to deal with it.

Note: Due to the consolidation of financial statements of subsidiaries of the group, each company may have incomplete disclosure of guaranteed matters for various reasons. This consolidated statement is disclosed only on the basis of what has been disclosed by each company.

IX. COMMITMENTS

1. Share repurchase commitments

(1). A forward repurchase agreement between the Company and China Development Fund Co., LTD

Financing Guarantee 2016 Second Shareholders' Meeting Resolution agreed to increase the registered capital of RMB 5 billion which the company and the new shareholder State Development Fund Co., Ltd. (hereinafter referred to as the State Development Fund) each contributed 2.5 billion. On July 25, 2016, State Development Fund, Financing Guarantee, and the company signed the “State Development Fund investment contract" (contract number: 5110201606100000510) (hereinafter referred to as investment contracts). The investment contract stipulated that investment period from State Development Fund to Financing Guarantee is 20 years which from the initial capital payment date of completion date (from 2016 to 2036, hereinafter referred to as the "investment period"). In the investment period and the maturity of the investment period, the state funds shall have the right to realize the investment recovery in accordance with the fifth provision of the investment contract, i.e., from 2021 to 2036, the company repurchase the invest amount RMB 2.5 billion from State Development Fund to Financing Guarantee in 9 installments with amount stipulated in the investment contract. The capital subscribed by the company and the state development fund has been fully funded in October 13, 2016.

(2). A partnership shares forward repurchase agreement between the Company and CITIC Trust Co., Ltd

Partnership Agreement signed on 29th April 2016 stipulated that Sichuan Hongyuan emerging industries Equity Investment Fund Management Limited (general partner) (hereinafter referred to as the "great Sichuan") invested RMB 10 million, Citic Trust Co. Ltd (hereinafter referred to as CITIC Trust) invested RMB 4.5 billion, and the company invested RMB 500 million to jointly set up the Xingchuan fund. In May 2016, all partners of the Xingchuan fund signed the "limited priority partnership share forward acquisition agreement" with the Xingchuan Industry Guide fund. According to the agreement, if the company's mandatory acquisition obligations triggered, in accordance with the time stipulated in this Agreement and the purchase price, the company has the priority of limited partnership shares held by CITIC trust. The triggering of compulsory acquisition obligations: a. After the CITIC Trust has paid the capital contribution, any distributable income distribution date, the distributable income obtained by the fund is less than the expected period income; b. Any investment CITIC Trust each paid in capital contribution after the corresponding return date (inclusive) before the fifth natural day, the sum accumulated in the CITIC Trust shall be less than the accumulative quota corresponding to the amount of the paid contribution; c. Any case involving the dissolution or liquidation of the fund before the expiration of the partnership fund shall include, but not limited to, the termination of the request by the regulatory institution, etc; d. Hongyuan Xinxing invests the fund's property in areas where the partnership agreement prohibits investment (except where the investment decision board appointed by CITIC Trust voted to invest).

(3). A partnership shares forward repurchase agreement between the Company and ABC-CA

Partnership Agreement signed on July 13, 2016 stipulated that The Xingchuan Fund invested RMB 750 million, Sichuan Hongyuan invested RMB 10 million, the ABC-CA Fund Management (Shanghai) Co., Ltd. (hereinafter referred to as ABC-CA) invested RMB 3 billion, jointly set up a partnership, Sichuan Development Xingcheng equity investment fund (limited partnership) (hereinafter referred to as the "Xingcheng fund"); In 14th July 2016, the Company and the ABC-CA signed "priority share of the limited partnership agreement", as a result if the Company compulsory purchase obligation is triggered, the Company in accordance with the agreement of the time and the purchase price shall purchase premium limited partnership shares of Xingcheng fund held by ABC-CA.Trigger condition of acquisition obligation: a. During the period of investment, the fund failed to follow the "partnership agreement" agreement on the distribution of income to the period of ABC-CA pay income, profit distribution or payment of income, profit distribution does not meet the "partnership agreement" agreed priority each paid in capital limited partner in the accounting period of the expected return (i.e., the annual rate of return of 4.75%/); b. In the investment period of ABC-CA, the fund failed to follow the "partnership agreement" agreement on investment or investment return to the day ahead of the return of ABC-CA return of principal and payment of income, the return of principal and payment of income has not reached the "partnership agreement" agreement.

(4). A partnership shares forward repurchase agreement between the Company and Communications International Trust Co., Ltd

idance of Fund, Sichuan Hongyuan, and Bank of Communications International Trust Co. signed Cooperation Agreement and Supplemental to Cooperation Agreement in 2017, agreeing to incorporate Sichuan Development Xingzhan Industrial Guidance Funds Partnership Enterprises. Sichuan Hongyuan subscribed contributions 10 million, Bank of Communications International Trust subscribed contributions 2.7 billion yuan as premium partner, and the Company subscribed contributions 500 million. The Company signed Purchase Agreement with Bank of Communications International Trust Co. If Bank of Communications International Trust Co. holds premium limited partnership shares in accordance with Supplemental to Cooperation Agreement, the Company shall forward purchase the shares Bank of Communications International Trust holds. Purchase price is the sum of capital and the investment income of shares of premium limited partnership. The calculation is as follows: Accrual payment= balance of initial capital *5.39%* the actual days of the capital existing/360. Bank of Communications International Trust can get the money after deducting the investment income it get during investment period.

(5). Property Transfer Agreement Signed with the DongzhengRonghui Securities Asset Management Co., Ltd.

From December 2015 to 2016, Energy Investment Group, Xincheng Co., Xincheng Fund, and three financial institutes -Dongzheng Ronghui securities asset management Co., Ltd (hereinafter referred to as the Dongzheng Ronghui), Southern Capital Management Co., and ICBC Ruixin signed Property Transfer Agreement and Agreement of Make up for Deficit respectively. The agreements above made commitments of making up deficit of priority partners equity and transferring equity when investment expiration in Xinzhe Fund, Xinxia Fund, and Xilv Fund.

Xinzhe Fund received priority investment shares of Dongzheng Ronghui held by Energy Investment Group, and Xinzheng Fund has the right to require Energy Investment Group make the transferring commitments if Dongzheng Ronghui has dishonest acts and worse operation situations. Xinxia Fund received priority investment shares of Southern Capital Management Co., from Xincheng Co. and the Energy Investment Group shall make up the deficit. Xilv Fund received priority investment shares of ICBC Ruixin from Xincheng Co. and paid transferring price and commitments gains in 4 installments within 5 years. The Energy Investment Group will make up the deficit.

Pursuant to the agreement above, Energy Group recognized accrued interest amounted to RMB 124,168,717.76, 230,725,000.00, 169,275,000.00, 169,275,000.00 in 2016, 2017, 2018 and 2019 respectively. As of June 30,2020, the balance of accrued liability- accrued interest on commitments on transferee shares in partnership is RMB 693,443,717.76.

(6). Sanxin Co. and Tianfu Hongwei signed Agreement on Equity Transfer of 8.02% CETC Avionics Co.

Sanxin Co. (Party A) and Sichuan Tianfu Hongwei Civil military integration Development Equity Fund (LP) (hereinafter refer as to Party B) signed agreement on equity transfer of 8.02% CETC Avionics Co. on March 5, 2018. Sanxin Co. transferred all shares it held of CETC Avionics Co accounted for 8.02 of the CETC Avionics Co shares to Tianfu Hongwei with the consideration of 240,983,010.72 and recognized gains 40,843,980.54.

Sanxin Co. signed supplementary contract with Party B to ensure mutual interests and investment value of the consideration equity on March 5, 2018. Pursuant to the supplementary contract, as of September 30, 2023, Party B has the right to require Party A repurchase the equity with the price and term described in agreement if the following conditions are satisfied:

CETC Avionics Co cannot list in main board, small and medium board, and GEM; the average annualized net assets/ shares in which net assets defines as net assets contributes to parent company during 2018-2022 increases lower than 6.5%.

If the conditions are satisfied and Party B requires Party A repurchase the equity, the price Party A needs to pay depends on the higher result of the following calculation: evaluation value of net assets (based on

September 30, 2023) approved by Party B's supervisor, the formation is following: price=evaluated net assets/share* shares of consideration- dividends during the term; or calculated by annualized interest rate of 8.5%: price=240,983,010.72 * (1+8.5%*the days between date of Party B pay for the equity and date of Party B expected to receive the money/365)- dividends during the term. Pursuant to the agreement, Sanxin recognized accrued liability amounted to RMB 16,779,680.05 in 2018, and 20,483,555.91 in 2019. The estimated liabilities are confirmed to be RMB 10,241,777.96 in the current period, and the cumulative balance of the estimated liabilities is RMB 47,505,013.92.

2. Signed significant leasing contracts being or to be performed and their financial impact

As of June 30, 2020(T), the minimum lease payment and minimum lease receipts (annual average static rental) of the irrevocable leasing contract signed by the Group are as follow:

Period	Minimum lease payment	Minimum lease receipts
T+1 year	1,755,642,086.13	1,433,501,945.35
T+2 years	1,515,582,416.56	1,322,158,567.60
T+3 years	1,572,897,836.62	1,046,335,851.47
Over T+3 years	3,410,008,821.25	3,065,809,005.59
Total	**8,254,131,160.56**	**6,867,805,370.01**

3. Other commitments

1. Unpaid capital injection commitment as of June 30, 2020 (Unit: 0000'):

Investee	Committed capital injection	June 30, 2020	
		Paid	Unpaid
Sichuan Shangshi Environment Investment Co.	8,000.00	1,600.00	6,400.00
Sichuan Development Ruixin Investment Co., Ltd.	6,000.00	1,200.00	4,800.00
Sichuan Dinghao Development Equity Investment Fund Management Co., Ltd.	3,000.00	900.00	2,100.00
Water Environment	8,000.00	1,200.00	6,800.00
Sichuan Chengyu Development Equity Investment Funds Center	30,000.00	3,010.52	26,989.48
Xintu Investment	20,000.00	4,000.00	16,000.00
Chengdu Zhongche	3,000.00	600.00	2,400.00
Xinjin Modern Tram Demostration Project	About 51,600.00	9,360.00	About 42,240.00
Anhui Xinzhu Transit	10,000.00	500.00	9,500.00
Anhui Xinzhu Aowei	1,000.00	370.00	630.00
Chengdu Changke Xinzhu Rail Transit Technology	1,000.00		1,000.00
Beijing Huading New Energy Equity Investment Fund (Limited Partner) Co., Ltd.(Note 1)	2,020,000.00	466,900.00	1,573,100.00

Note 1:In May 2016, Energy Investment Group signed partnership agreement with Beijing Huagai Dingsheng Investment Management (Beijing) Co., Ltd. (hereinafter referred to as Huagai Dingsheng) and Beijing Huagai Dingsheng New Material Equity Investment Fund (limited partnership, hereinafter referred to as Huading Xincai), jointly set up Beijing Huading Xindongli Equity Investment Fund (limited partnership) (hereinafter referred to as the Huading Xindongli), Our company and Huading New Material are limited partner, Huagai Dingsheng is general partner and managing partner. The agreement stipulated in the fund size of RMB 20.202 billion, which Energy Investment Group subscribed RMB 20 billion, Huading New Material subscribed RMB 200 million, Huagai Dingsheng subscribed RMB 2 million. According to the agreement, the executive partner shall charge 2% as the management fee and 20% as the fund's return on the fund from the actual managing fund. The partnership agreement stipulated that Huading Xindongli annually pay the general partner 2% of total capital contribution at the beginning of the year as management fee, and 20% of cash income such as current dividends, interest income of every single project and investment income of the every single project should be distributed to the general partner Huagai Dingsheng. As of June 30, 2020, The Energy Investment group has invested 4.669 billion RMB.

Note: Due to the consolidation of financial statements of subsidiaries of the group, each company may have incomplete disclosure of guaranteed matters for various reasons. This consolidated statement is disclosed only on the basis of what has been disclosed by each company.

X. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Adjustments matters subsequent to the balance sheet date

None

2. Non-adjustments matters subsequent to the balance sheet date

(1). Transfer 66.67% shares of the financial Holding Group without compensation

According to a notice issued by Sichuan SasAC on July 22, 2020 that *Reply on the Transfer of 66.67% of Sichuan Financial Holding Group Co., LTD held by Sichuan Development Holding Co., LTD to Sichuan Provincial Finance Department without compensation* (Sichuan SasAC [2020] No.10). The Company will transfer the 66.67% equity of The Financial Holding Group (which has not been paid for) to the Finance Department of Sichuan Province without compensation. After the transfer, the 66.67% equity corresponding to the subscribed capital contribution of 20.01 billion yuan shall be undertaken by the Finance Department of Sichuan Province. After the transfer, the controlling shareholder of The Financial Holding Group changed to the Sichuan Provincial Finance Department.

(2). Others events

Since the outbreak of COVID-19 from January 2020, strong anti-epidemic measures have been adopted in China. The Company expects that the COVID-19 epidemic and prevention and control measures will

have a certain temporary impact on the production and operation of the Company, and the degree of impact will depend on the progress and duration of the epidemic prevention and control as well as the implementation of the prevention and control policies in various regions. The company will continue to pay close attention to the development of pneumonia, evaluate and actively respond to its impact on the company's financial situation, operating results and other aspects. As of the date of this report, the assessment is still in progress.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of subsequent events for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

XI. RELATIONSHIPS OF RELATED PARTIES AND THEIR TRANSACTIONS

1. Relationships of related parties

(1) Parent company and ultimate controlling company

Name of parent company and ultimate controlling company	Place of registration	Nature of business	Proportion of shareholding (%)	Proportion of voting right (%)
State-Owned Assets Supervision & Administration Commission of Sichuan Province	--	--	100.00	100.00

(2) Subsidiaries

See details in Note VI (I) General information of second-level subsidiaries and some major third-level subsidiaries included in consolidated financial statements during the year.

(3) Joint ventures and associates

See details of major joint ventures and associates of the Group in Note VII (XV) Relevant information disclosed by long-term equity investments.

2. Related party transactions

(1) Purchasing and receiving services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Commercial Press (Chengdu) Co., Ltd	7,646,540.10	6,427,831.53
Sichuan Airlines Co., Ltd.	65,396.23	69,260.74
Renming Dongfang (Beijing) Publishing Co., Ltd.	3,018,867.92	3,018,867.92
Taikoo (Xiamen) Aircraft Engineering Co., Ltd		366,658.00
Mingbo Education Technology Co., Ltd	7,462,907.84	
Hainan Publishing House	4,046,583.35	1,719,288.15
Total	**22,240,295.44**	**11,601,906.34**

(2) Sales of goods and rendering of services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Sichuan Airlines Co., Ltd	167,863,141.71	260,103,524.14
Taikoo (Xiamen) Aircraft Engineering Co., Ltd	113,207.55	113,207.55
Chengdu Airlines Co., Ltd	29,137,230.39	24,339,352.00
Liangshan Xinhua Winshare		109,830.47
Sichuan Xinzhu Tonggong Automobile Co., Ltd		8,132,671.51
Mianxian dingdingrunwu Trading Co., Ltd	18,391,968.76	
Three Gorges Jinsha River Hydropower Development Co. Ltd	31,115,813.39	
Sichuan Energy Investment Quantitative Logistics Development Co., Ltd	14,870,310.43	
Total	**261,491,672.23**	**292,798,585.67**

(3) Related party lease

Lesser	Lessee	Assets leased	Amount involved in assets lease	Start date	Termination date	Rental income
Sichuan Airlines Group	Sichuan Airlines Co., Ltd	Airline Garden parking lot	7,917,393.34	2007.1.1	2020.6.30	273,333.33
		Sichuan Airlines Jiayuan parking lot	6,098,269.44	2007.7.1	2020.6.30	144,000.00
		42 houses	1,415,483.45	2007.1.1	2020.6.30	79,635.09
Sichuan AMECO	Sichuan Airlines Co., Ltd	Parking lot	1,102,297.59	2016.11.1	2020.6.30	328,363.64
	Taikoo (Xiamen) Aircraft Engineering Co., Ltd	House	62,908.37	2016.7.1	2020.6.30	25,714.29
Sichuan Airlines Tianxiang Business Travel Co. LTD	Sichuan Fuhang Capital	investment property	11,583,521.32	2014.8.1	2020.6.30	613,872.00
Sichuan Airlines Hansha Food Co. LTD	Sichuan Airlines Co., Ltd	Plant building	9,001,159.42	2020.1.1	2020.6.30	4,736,065.18

(4) Borrowed funds of related parties

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
Land company	Sichuan Hongjing Sichuan Investment Co., Ltd.	29,800,000.00	9.10%	2019/4/15	2020/12/30
		81,520,000.00	9.10%	2019/7/29	2020/7/28
		2,000,000.00	9.10%	2019/8/14	2020/8/13
		42,480,000.00	9.10%	2019/8/21	2020/8/20
		27,900,000.00	9.10%	2019/11/20	2020/11/19
		61,100,000.00	9.10%	2020/5/18	2021/5/17
Land company	Renshou Shuheng Real Estate Co., Ltd	106,295,500.00	16.00%	2019/8/1	2020/7/31
Land company	Renshou ShuRun Real Estate Co., Ltd	83,910,000.00	16.00%	2019/8/1	2020/7/31
Land company	Renshou Shufeng Real Estate Co., Ltd	313,052,900.00	16.00%	2019/8/1	2020/7/31
Land company	Sichuan Development Ruixing Investment Co. Ltd	11,375,000.00	16.00%	2015/10/30	2020/12/31
Land company	Renshou Xinghe Real Estate Co. LTD	35,100,000.00	13.00%	2018/12/10	2020/12/9
		30,000,000.00	13.00%	2020/6/29	2021/6/28
Development Funds	Sichuan Juxin Development Equity Investment Fund Management Co., Ltd	100,000,000.00	9%	2018/2/13	2020/2/22
Development Funds	Sichuan Shangshi Environmental Investment development Co. LTD	4,000,000.00	9%	2018/2/13	2020/2/12
Leading Funds	Emerging Venture Funds	50,000,000.00	8%	2017/10/30	2022/10/29
Leading Funds	Emerging Venture Funds	50,000,000.00	8%	2018/1/2	2023/1/1
Financial Holding Group	Chengdu Gongtong assets management co., ltd	199,200,000.00		2019-8-14	2020-8-13
Railway Investment Group	Sichuan Yitongda Construction Engineering Design Co., Ltd	46,000,000.00	After 2 years, the interest rate is 15%, and 2-3 years, 20%	2019/1/21	No agreement
Railway Investment Group	Sichuan Ruikong Industrial Co., Ltd	600,000,000.00	10.50%	2019/3/29	2020/3/28
	Total	**1,873,733,400.00**			

3. The balances of related parties

(1) Accounts receivables due from related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	183,499,883.30	101,911,857.95
Sichuan Shida Industrial Salt Co., Ltd.		435,386.35
Chengdu Airlines Co., Ltd.	26,255,461.77	15,814,726.64
Sichuan Xiaojinhe Hydropower Co.	6,090,196.88	6,090,196.88
Shanghai Jingjie Information Technology Co.	195,984.00	195,984.00
Sichuan Wanhong Investment and Management Co.		39,663.55

Related party	Ending balance	Beginning balance
Mianxian Dingdingrunwu Trading Co.	20,587,272.63	37,104,347.93
Sichuan Xinzhu Tonggong Vehicle Co.		26,745,064.44
Dazhou Power Group Co., Ltd	24,751,993.61	21,380,361.47
Langzhong Shuangrui Energy Co. Ltd	101,389,605.16	
Sichuan Energy Investment Chemical New Material Co., Ltd	116,785,123.36	146,681,590.24
Less: Provision for bad debt	6,214,546.19	4,928,021.75
Total	**473,340,974.52**	**351,471,157.70**

(2) Prepayment of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.		63,396.23
Mingbo Education Technology Co.		1,200,000.00
Sichuan Furun Enterprise Restructuring Investment Co., Ltd	983,054.16	983,054.16
Less: Provision for bad debt		
Total	**983,054.16**	**2,246,450.39**

(3) Other receivables of related parties

Related party	Ending balance	Beginning balance
Sichuan International Cooperation Co.	86,817,788.47	86,817,788.47
Sichuan Airlines Co., Ltd	2,778,344.80	2,778,344.80
Sichuan Juxin Development Equity Investment Fund Management Co., Ltd	83,133.58	109,715,078.03
Chengdu Airlines Co., Ltd	384,275.24	443,625.02
Sichuan Financial Asset Transaction Co., Ltd.		7,680.00
Tibetan E-commerce Co.		4,960,377.93
Jiulong Rongxin Electricity Power Co.	42,651,116.41	47,651,116.41
Sichuan Jinhong Chuanfa Real Estate Co.	256,505,160.00	256,505,160.00
Sichuan Xiaojinhe River Hydropower Co.	45,978,165.55	45,978,165.55
Shanghai Jingjie Information Technology Co.		26,478.80
Sichuan Sibaiyi Jinding Equity Investment Funding Co.	25,000,000.00	25,029,014.81
Sichuan Energy Smart City Co.	107,960.39	107,960.39
Sichuan Energy Liangshan Energy Investment Co.	15,918,168.58	15,908,544.55
Sichuan Energy Liangli Logistics Development Co.	78,367,545.46	78,497,545.46
Sichuan Ruikong Industrial Co.	1,034,121,235.55	1,034,121,235.55
Sichuan Yitongda Architectural & Engineering Design Co., Ltd	109,208,055.54	109,208,055.54
Sichuan Yanjiang Panning Expressway Co.	862,362.77	862,362.77
Chengdu Senxinyuan Trading Co.		3,920,000.00
Renshou Xinhe Real Estate Co.	65,100,000.00	69,605,437.06

Related party	Ending balance	Beginning balance
Renshou Shufeng Real Estate Co.	313,052,900.00	313,052,900.00
Renshou Shuheng Property Co.	106,295,500.00	106,295,500.00
Renshou ShuRun Property Co.	83,910,000.00	83,910,000.00
Sichuan Xinzhu Auto Co.		105,600.00
Chengdu Gaowei Gym Construction and Development Co.	315,000,000.00	315,000,000.00
Sichuan Wudu Electricity Power Station	15,170,185.51	15,240,409.38
Sichuan Tongsheng Industrial Co.	55,000,000.00	55,000,000.00
Jiuzhaigou Hongyi Investment Co.	1,453,482,568.15	1,406,204,567.83
Sichuan Energy Investment Chemical New Material Co., Ltd	815,000,000.00	615,000,000.00
Sichuan Kangding Airport Group Co., Ltd	100,000,000.00	100,000,000.00
Less: Provision for bad debt	433,208,091.03	433,218,651.03
Total	**4,587,586,374.97**	**4,468,734,297.32**

(4) Long-term receivables due from related parties

Related party	Ending balance	Beginning balance
Tibetan E-commerce Co.,Ltd.	70,682,666.67	70,682,666.67
Sichuan Chengdu Mianyang Expressway Co., Ltd	7,293,905.31	6,675,280.48
Total	**77,976,571.98**	**77,357,947.15**

(5) Accounts payable due to related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd	3,448,971.20	4,531,881.20
Commercial Printings (Chengdu) Co., Ltd	15,317,821.41	12,914,869.35
Shanghai Jingjie Technology Co.,Ltd.		18,941.36
Sichuan Deyang Xingchen Packaging Co., Ltd		177,626.51
Hainan Publishing House Co., Ltd	122,481.66	1,011,811.50
Mingbo Education Technology Co., Ltd.	190.00	190.00
Sichuan Xinzhu Auto Co.		35,900.00
Total	**18,889,464.27**	**18,691,219.92**

(6)Prepayment of related parties

Related party	Ending balance	Beginning balance
Mingbo Education Technology Co., Ltd.	960,000.00	1,360,000.00
Chengdu Ruiyinfangda Equity Fund Management Co.	9,600.00	9,600.00
Sichuan Ruikong Industrial Co.	338,557.46	338,557.46
Sichuan Yanjiang Panning Expressway Co., Ltd	150,221,783.84	150,221,783.84
Sichuan BaGuangYu Expressway Development Co., Ltd	127,995,550.90	127,995,550.90
Total	**279,525,492.2**	**279,925,492.20**

(7) Other payables of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	14,579,832.74	13,332,177.36
Sichuan International Consulting Co.,Ltd.	5,977,415.69	5,977,415.69
Sichuan Fuhang Capital Equity Investment Funds Management Co., Ltd.	92,584.00	92,584.00
Sichuan Guoxing Commercial Information Co., Ltd.	12,000.00	12,000.00
Sichuan Wanhong Investment Management Co., Ltd.	805,000,000.00	839,000,000.00
Tibet E-Commerce Co.	2,118,389.07	14,459,755.27
Sichuan Winshare Baowan Supply Chain Co.	1,653,393.29	2,700,594.04
Sichuan Energy Liangli Logistics Development Co.	2,433,406.08	2,487,469.00
Sichuan Ruikong Industrial Co.	305,740.62	305,740.62
Chengdu Ruiyinfangda Equity Fund Management Co.	424,607.78	424,607.78
Sichuan Wudu Electricity Power Station	10,000,000.00	
Aluminum Energy Qingxin company	21,427,494.91	21,427,494.91
Dazhou Power Group Co., Ltd	50,000,000.00	50,000,000.00
Total	**914,024,864.18**	**950,219,838.67**

Note: Due to the combination of financial statements of subsidiaries of the Group, the complexity of related relationship and related transactions, and the incomplete disclosure of related relationship and related transaction matters by each company for various reasons. As a result, the group may fail to fully list and disclose associated relationships and related transactions.

XII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other receivables

Items	Ending balance	Beginning balance
Interest receivables	1,197,885,740.07	546,073,481.21
Dividend receivables	768,015,977.79	740,670,989.04
Other receivables	17,275,343,161.21	17,831,487,788.15
Total	**19,241,244,879.07**	**19,118,232,258.40**

(1). Interest receivables

Items	Ending balance	Beginning balance
Interest of entrusted loans	817,801,861.82	367,328,103.57
Interest of unified loans	342,347,766.72	141,009,266.11
Others	37,736,111.53	37,736,111.53
Interest of financial product		
Total	**1,197,885,740.07**	**546,073,481.21**

(2). Dividend receivables

Items	Ending balance	Beginning balance
Sanxin Co.	166,000,000.00	166,000,000.00
Financial Holding	140,719,261.96	140,719,261.96
Equity Investment Fund	90,458,788.75	63,113,800.00
Environment Investment Co.	50,837,927.08	50,837,927.08
Land Company	63,111,100.00	63,111,100.00
Sichuan City Investment Co.	256,888,900.00	256,888,900.00
Total	**768,015,977.79**	**740,670,989.04**

(3). Other receivables

Category	Ending balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	9,678,758,645.06	50.55	320,000,000.00	3.91
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——
Ageing combination	108,636,327.70	0.88	6,339,526.36	4.47
Related-party combination	7,776,012,666.50	47.86		
Provision combination	4,483,182.47	0.03		
Subtotal	7,889,132,176.67	48.76	6,339,526.36	0.08
Individually insignificant other receivables for which provision for doubtful debts is made individually	110,831,413.61	0.69	77,039,547.77	69.51
Total	**17,678,722,235.34**	**100.00**	**403,379,074.13**	**2.49**

(Continued)

Category	Beginning balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	9,657,025,690.56	52.94	320,000,000.00	3.31
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——

Category	Beginning balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Ageing combination	238,848,694.50	1.31	12,149,047.92	5.09
Combination of related parties and margin	8,229,946,053.20	45.12		
Imprest combination	4,024,531.97	0.02		
Subtotal	8,472,819,279.67	46.45	12,149,047.92	0.14
Individually insignificant other receivables for which provision for doubtful debts is made individually	110,831,413.61	0.61	77,039,547.77	69.51
Total	**18,240,676,383.84**	**100.00**	**409,188,595.69**	**2.24**

(1) Other receivables with doubtful debt provision made using aging analysis method

Item	Ending balance		Beginning balance	
	Balance	Provision for doubtful debt	Balance	Provision for doubtful debt
Within 1 year	104,398,608.52	5,219,930.43	235,515,697.26	11,775,784.86
1-2years	914,815.46	91,481.55	3,278,270.48	327,827.05
2-3years	3,278,270.48	983,481.14		
3-4 years				
4-5 years			46,453.76	37,163.01
Over 5 years	44,633.24	44,633.24	8,273.00	8,273.00
Total	**108,636,327.70**	**6,339,526.36**	**238,848,694.50**	**12,149,047.92**

(2) Other significant individual receivables with debt provision made using individual determination method

Debtor	Book value	Provision	Age	Reasons for provision
Sichuan Provincial Department of Finance	649,790,617.19	320,000,000.00	1-5 years	Provision based on expected loss
Funds appropriated on behalf of Department of Finance of Sichuan Province	5,091,545,405.00		More than 5 years	Note 1
Jinniu Hotel	180,000,000.00		1-2 years	Expected to be collected
Sichuan Development Investment Co.	2,257,422,622.87		1-2 years	Expected to be collected
Sichuan Chemical Holding Group Co., Ltd	1,500,000,000.00		1-2 years	Expected to be collected

Debtor	Book value	Provision	Age	Reasons for provision
Total	**9,678,758,645.06**	**320,000,000.00**		

Note1: Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its documents to support the development of enterprises in the province. Settlement is made with the Department of Finance after the completion of all appropriations, with no provision for impairment made.

(3) Other insignificant individual receivables as of the end of the period but with bad debt provision made on individual basis

Name	Book value	Provision for doubtful debt	Reasons for provision
Sichuan Chemical Holding Group Co., Ltd.	83,791,865.84	50,000,000.00	Based on the estimated losses
Sichuan Textile Industry Apparel, Footwear and Headwear Company	5,000,000.00	5,000,000.00	The other party is on the verge of bankruptcy; unlikely to be recovered
Zongfu Industrial Group Co. Ltd.	19,500,587.56	19,500,587.56	Uncertainty of repaying capability
Sichuan Business School	2,538,960.21	2,538,960.21	Expected to not be collected
Total	**110,831,413.61**	**77,039,547.77**	

2. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the period	Decrease during the period	Ending balance
Investment in subsidiary	148,863,761,966.71	4,443,017,648.09	2,000,000.00	153,304,779,614.80
Investment in associates	16,519,079,432.52	12,438,255,350.81	11,939,000,000.00	17,018,334,783.33
Total book value	**165,382,841,399.23**	**16,881,272,998.90**	**11,941,000,000.00**	**170,323,114,398.13**
Less: Provision for impairment				
Carrying amount	**165,382,841,399.23**	**16,881,272,998.90**	**11,941,000,000.00**	**170,323,114,398.13**

(2) Details of long-term equity investment

Name of investee	Beginning balance	Increase during the period	Decrease during the period	Ending balance
Sichuan Transportation Investment Group	68,456,261,453.90			68,456,261,453.90
Sanxin Company	1,495,000,000.00		2,000,000.00	1,493,000,000.00
Energy Investment Development	8,006,092,161.75	3,000,000,000.00		11,006,092,161.75
Equity Fund	100,000,000.00			100,000,000.00

Name of investee	Beginning balance	Increase during the period	Decrease during the period	Ending balance
Airlines Group	733,876,421.19			733,876,421.19
Publishing Group	1,499,543,907.61			1,499,543,907.61
Xinhua Group	2,856,258,619.78			2,856,258,619.78
Nonferrous Technology	18,820,826.11			18,820,826.11
Mineral Investment Group	336,697,833.37			336,697,833.37
Salt Industry Investment	889,696,923.36			889,696,923.36
Wood factory	22,939,413.43			22,939,413.43
State-Owned Investment	409,729,108.92			409,729,108.92
State-Owned Assets Operation	2,123,427,057.83			2,123,427,057.83
Railway Investment Group	30,418,812,900.37			30,418,812,900.37
Industry Fund	3,000,000,000.00			3,000,000,000.00
Southwest Equity	50,000,000.00			50,000,000.00
Guocheng Fund	48,262,050.00			48,262,050.00
Development International	1,498,422,268.87			1,498,422,268.87
Sichuan City Investment Co., Ltd.	4,000,000,000.00			4,000,000,000.00
Water Environmental Protection	41,190,035.77			41,190,035.77
Development City Investment	1,539,192,988.91	160,000,000.00		1,699,192,988.91
Energy Investment Development	38,154,600.00			38,154,600.00
Nonferrous New Material	20,000,000.00			20,000,000.00
Keneng Lithium	26,600,000.00			26,600,000.00
Yielding Co.	6,213,120.41			6,213,120.41
Energy Mining	15,000,000.00			15,000,000.00
Leading Fund	80,000,000.00			80,000,000.00
Development Mining	2,302,131,800.00			2,302,131,800.00
Xingchuan Fund	500,000,000.00	50,000,000.00		550,000,000.00
Beichuan Investment	30,000,000.00			30,000,000.00
Rail Transit	660,000,000.00	770,000,000.00		1,430,000,000.00
Guoyuan Agriculture Investment	51,000,000.00			51,000,000.00
Environment Investment Co.	3,113,904,637.59			3,113,904,637.59
Land Company	500,000,000.00			500,000,000.00
Financial Holding	7,355,179,000.00			7,355,179,000.00
Modern service industry group	1,164,219,200.00	413,000,000.00		1,577,219,200.00

Name of investee	Beginning balance	Increase during the period	Decrease during the period	Ending balance
Xinzhan Fund	300,000,000.00			300,000,000.00
Guohui Micro-Credit	350,000,000.00			350,000,000.00
Credit Enhancement	1,000,000,000.00			1,000,000,000.00
Industry Park	400,000,000.00	50,000,000.00		450,000,000.00
Big Data	880,000,000.00			880,000,000.00
Beijing Chuanfa Investment	399,500,000.00			399,500,000.00
Xinzhu Co.	827,166,133.64			827,166,133.64
Leading Capital	400,000,000.00			400,000,000.00
Guokang Energy	8,462,421.85			8,462,421.85
Shengtian New Energy	892,007,082.05			892,007,082.05
Fazhan Xingrui		17,648.09		17,648.09
Total	**148,863,761,966.71**	**4,443,017,648.09**	**2,000,000.00**	**153,304,779,614.80**

(Continued)

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the period	Cash dividend for the period
Sichuan Transportation Investment	Cost method	68,456,261,453.90	80.00			
Sanxin Company	Cost method	1,493,000,000.00	100.00			
Energy Investment Development	Cost method	11,006,092,161.75	100.00			
Equity Fund	Cost method	100,000,000.00	100.00			
Airlines Group	Cost method	733,876,421.19	100.00			
Publishing Group	Cost method	1,499,543,907.61	100.00			
Xinhua Group	Cost method	2,856,258,619.78	100.00			
Nonferrous Technology	Cost method	18,820,826.11	100.00			
Mineral Investment Group	Cost method	336,697,833.37	100.00			
Salt Industry Investment	Cost method	889,696,923.36	100.00			
Wood factory	Cost method	22,939,413.43	100.00			
State-Owned Investment	Cost method	409,729,108.92	100.00			
State-Owned Assets Operation	Cost method	2,123,427,057.83	100.00			
Railway Investment Group	Cost method	30,418,812,900.37	100.00			
Industry Fund	Cost method	3,000,000,000.00	100.00			

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the period	Cash dividend for the period
Southwest Equity	Cost method	50,000,000.00	50.00			20,000,000.00
Guocheng Fund	Cost method	48,262,050.00	100.00			
Development International	Cost method	1,498,422,268.87	100.00			
Sichuan City Investment Co., Ltd.	Cost method	4,000,000,000.00	100.00			
Water Environmental Protection	Cost method	41,190,035.77	69.44			
Development City Investment	Cost method	1,699,192,988.91	100.00			
Energy Investment Development	Cost method	38,154,600.00	2.32			
Nonferrous New Material	Cost method	20,000,000.00	6.01			
Keneng Lithium	Cost method	26,600,000.00	45.22			
Yielding Co.	Cost method	6,213,120.41	0.51			
Energy Mining	Cost method	15,000,000.00	10.34			
Leading Fund	Cost method	80,000,000.00	100.00			
Development Mining	Cost method	2,302,131,800.00	100.00			
Xingchuan Fund	Cost method	550,000,000.00	100.00			
Beichuan Investment	Cost method	30,000,000.00	100.00			
Rail Transit	Cost method	1,430,000,000.00	100.00			
Guoyuan Agriculture Investment	Cost method	51,000,000.00	51.00			
Environment Investment Co.	Cost method	3,113,904,637.59	100.00			
Land Company	Cost method	500,000,000.00	19.72			
Financial Holding	Cost method	7,355,179,000.00	100.00			
Development Guohong	Cost method	1,577,219,200.00	100.00			
Xinzhan Fund	Cost method	300,000,000.00	100.00			
Guohui Micro-Credit	Cost method	350,000,000.00	70.00			
Credit Enhancement	Cost method	1,000,000,000.00	25.00			
Industry Park	Cost method	450,000,000.00	100.00			
Big Data	Cost method	880,000,000.00	100.00			
Chuanfa Investment	Cost method	399,500,000.00	100.00			
Xinzhu Co.	Cost method	827,166,133.64	16.06			
Leading Capital	Cost method	400,000,000.00	100.00			

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the period	Cash dividend for the period
Guokang Energy	Cost method	8,462,421.85	51.00			
Shengtian New Energy	Cost method	892,007,082.05	51.60			
Fazhan Xingrui	Cost method	17,648.09	100.00			
Total		**153,304,779,614.80**				**20,000,000.00**

(3) Investments in joint ventures (unit: in RMB 10 thousand)

Name of Investee	Investment Cost	Beginning Balance	Changes in this period								Ending Balance	Ending Balance of provisions
			Additional Investment	Decreased Investment	Investment Income	OCI Adjustment	Other Equity Changes	Dividends	Impairment	Others		
Joint Ventures												
Airport Group	4,925,114,004.77	7,324,334,067.46			-54,844,329.58		489,332,277.00				7,758,822,014.88	
Pharmaceutical Group	16,135,321.65	271,859,214.29			29,943,748.26		-1,638,336.57				300,164,625.98	
Logistics Industry	269,750,328.52	352,273,106.82			1,501,997.76		61,705.82				353,836,810.40	
Sichuan Xingwen ShihaiTianxia qi Culture and Tourism Investment Co.	480,000,000.00	491,253,180.71			-904,076.87						490,349,103.84	
Yusheng Wine Investment Management	12,495,000.00	15,600,856.44			2,660,647.72						18,261,504.16	
Sichuan Tourism Investment Group	800,000,000.00	816,792,686.69			-38,495,259.00						778,297,427.69	
Avic Chengdu Aircraft Co.	250,000,000.00	295,575,503.97			-104,993.10		473,317.24				295,943,828.11	
Guobao Life Insurance	300,000,000.00	281,001,844.08			-14,714,863.03	752,767.67					267,039,748.72	
Xincheng Beidou	28,600,000.00	27,979,094.38			-592,407.98						27,386,686.40	
Ouya Co.	25,000,000.00	24,528,886.94			16,242.18						24,545,129.12	
Shengwan Hongyuan	5,442,791,183.72	6,562,491,580.00			42,093,301.00						6,604,584,881.00	
Development Wine	15,409,347.97	11,660,165.87									11,660,165.87	
Tianfu AG EXPO PARK	84,819,999.00	43,729,244.87	34,820,000.00		-3,106,387.71						75,442,857.16	
Shuxing Zhixing Management Consulting Co. LTD	12,000,000.00		12,000,000.00								12,000,000.00	
Total	**12,662,115,185.63**	**16,519,079,432.52**	**46,820,000.00**		**-36,546,380.35**	**752,767.67**	**488,228,963.49**				**17,018,334,783.33**	

(4)Long-term equity investments of the Company are mainly investments in holding companies. Investees are under normal operation without any indication of impairment. Therefore, no provision is made for long-term equity investments.

3. Operating income and operating cost

Item	For this period		For last the period	
	Income	Cost	Income	Cost
1. Fund possession income	244,999,114.53		216,584,642.18	
2. Revenue from guarantee	77,399,999.99		98,349,056.56	
Total	**322,399,114.52**		**314,933,698.74**	

4. Investment income

Category	Amount for this period	Amount for last period
Gain of financial product	78,653,438.93	82,776,829.93
Gain on long-term equity investments	8,816,256.49	389,605,602.50
Including: Gain on investments recognized using the equity method	-36,546,380.35	184,025,308.06
Gain on investments recognized using cost method	45,362,636.84	205,580,294.44
Gain on available-for-sale financial assets	36,767.97	17,757,230.04
Gain on entrusted loans	1,191,473,629.47	1,106,630,247.80
Total	**1,278,980,092.86**	**1,596,769,910.27**

5. Supplementary information about cash flow of the parent company

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for this period	Amount for last period
1.Reconciliation of net profit to cash flow from operating activities:		
Net profit	-522,961,010.04	13,677,151.92
Add: provision for asset impairment	-351,885,201.89	-169,788,491.36
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	760,640.31	691,467.46
Amortization of intangible assets		66,371.83
Amortization of long-term deferred expense		326,498.62
Loss on disposal of fixed assets, intangible assets and other long-term assets		
Losses on disposal of fixed assets (‘‘–’’ for gain)		
Loss on change in fair value (‘‘–’’ for gain)		
Financial expenses (‘‘–’’ for income)	2,439,995,250.36	2,010,821,675.00

Item	Amount for this period	Amount for last period
Investment loss (‘‘–’’ for income)	-1,278,980,092.86	-1,596,769,910.27
Decrease in deferred tax assets (‘‘–’’ for increase)		
Increase in deferred tax liabilities (‘‘–’’ for decrease)		
Decrease in inventories (‘‘–’’ for increase)	-2,722,583.55	-157,240.37
Decrease in operating receivables (‘‘–’’ for increase)	-285,938,842.70	52,254,472.51
Increase in operating payables (‘‘–’’ for decrease)	-141,443,846.82	-123,764,810.92
Others		
Net cash flow from operating activities	-143,175,687.19	187,357,184.42
2.Material investing and financing activities not involving cash receipts and payments:		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets transferred from financial lease		
3.Net increase in cash and cash equivalents:		
Balance of cash As of the end of the year	7,839,745,992.88	8,412,928,123.66
Less: Balance of cash As of the beginning of the year	10,539,628,200.03	8,133,460,565.01
Add: Balance of cash equivalents As of the end of the year		
Less: Balance of cash equivalents As of the beginning of the year		
Net increase in cash and cash equivalents	**-2,699,882,207.15**	**279,467,558.65**

(2) Cash and cash equivalents

Item	Amount for this period	Amount for last period
I. Cash	7,839,745,992.88	8,412,928,123.66
Including: cash on hand	15,904.12	17,620.49
Bank deposits readily available for payment	7,839,730,088.76	8,412,910,503.17
Other monetary capital that can be used to pay at any time		
II. Cash equivalents		
Including: bond investment which will be matured within three months		
III. Balance of cash and cash equivalents at end of the period	7,839,745,992.88	8,412,928,123.66
Restricted cash and cash equivalents of the Company		

XIII. OTHER SIGNIFICANT EVENTS TO BE EXPLAINED

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of subsequent events for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

1. The subsidiary of Sichuan Transportation, Sichuan Expressway does not depreciate the Operation Toll Highways

Expressways including Guangshan Road, Naqian, Dashan, Guangnan, Duwen, Cheng-De-Nan, Banan, Guanggan, Ya-Mei-Le, Dawan, Duwen, Lipan, Bashan, Bada etc. which Sichuan Expressway Company, a subsidiary of the Sichuan Transportation Investment Group, and its related holding subsidiaries operates, have come into use since 2012. When considering accounting and reporting of government-loan toll road, the Sichuan Expressway combined Regulation on the Administration of Toll Roads and the Characteristics of government-loan toll road as well as with reference to the management of counterpart of other government-loan toll road outside of the province, recognizing the toll fees as income but not depreciate the related highway assets. The accounting treatment was approved by the board and filed with SASAC of Sichuan Province. As of June 30, 2020, the government-loan toll road mentioned above was recorded as fixed assets totaling of RMB 133.401 billion and in construction in progress totaling of RMB 6.226 billion. The Financial Reports of Sichuan Expressway from 2014 to 2019 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants (appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. As the toll road nature of Sichuan Expressway is still not clear, although it didn't strictly comply with the Regulation on the Administration of Toll Roads, neither Sichuan Express Company nor the Company has received from related departments that the accounting and reporting are in nonconformity with any notices or similar documents. Therefore, when the Company includes the Financial Statements of the Company into the consolidated statements, it didn't make any adjustment to the financial statements of Sichuan Expressway Company.

2. The disclosure of railway assets of Railway Investment Group in joint ventures

Approved by Sichuan SASAC (The group has not obtained written approval), Railway Investment Group recognizes escrowed assets as other non-current assets (Joint ventures railway assets) which include: Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway in constructions in process, equity interests in Chenglan Railway, Chengyu Special Railway, Chengmianle Railway in long-term equity investment, equity interests in Chengkun Railway,Chenggui Railway, Xicheng Special Railway, Bada Railway,Chengya Railway and Lanyu Railway in financial assets available-for-sale. As end of the 2015, the value was RMB 29.172 billion, the value is RMB 40.729 billion as of the end of 2016, as end of the December 31, 2017, the value is RMB 45.348 billion, as end of the December 31, 2018, the value is RMB 49.901 billion and as end of the June 30, 2020, the value is RMB 55.179 billion. Sichuan SASAC engaged BDO Certified Public Accountants, Zhonghui Certified Public Accountants, Dahua Certified Public Accountants and Xigema Certified Public Accountants to issue the standard unqualified opinion audit reports for the Financial Reports of 2015 and 2019. Since uncertainties of the characteristic of the assets, and Investment Railway Group and the Company did not receive any Notice or documents of related departments that measurement and report were not satisfied with the stipulations, the financial statement is not adjusted when preparing the consolidated Financial Reports.

3. Repayment of Government debts

On 30 June, 2014, in accordance with People's Government of Sichuan Province [2014] No.35 document, the Company entered into subject change agreement of borrowing contract and debt transfer agreement respectively with Beichuan Yuqiang Company, Agricultural Development Bank of China (hereafter refers to as Agricultural Development Bank) and Agricultural Development Bank of China (hereafter refers to as Agricultural Bank) to undertake the loans of Yuqiang Company of RMB 256.9 million in Agricultural Development Bank and RMB 2,311.10 million in Agricultural Bank as well as to take over the land and other assets originally pledged for the borrowing. On July 2015, in accordance with the Approval of Restructuring Post-disaster Reconstruction Government Debt of Beichuan (Chuan Guo Zi Gai Ge [2015] No.1) issued by SASAC of Sichuan Province, Beichuan Development Investment Company was established and was in charge of the process of subsequent assets transfer and disposal. The 2.78 billion debts and the interest would be recognized as other non-current asset.

On December 2015, Yuqiang company (Party A), Beichuan Development Company (Party B), and the company (Party C) jointly singed "State-owned Asset Non-compensated Transfer Agreement". The pledged assets of Party A and loans with interest of Agricultural Development Bank and Agricultural Bank of China branch in Beichuan undertook by Party C are transferred to Party B to undertake. Beichuan Development Company and Yuqiang Company completed the assets transfer progressively as at end of 2016. According to the "Assets Evaluation Report on The Intended to Be Recorded and Estimated Asset Owned by Beichuan Development Company" (Chuan Hai Ping Bao Zi [2016] No.68), the market value of the received assets was RMB 997,550,900.00 on the valuation date December 31, 2015. There was a huge difference between the principal and interest of the debt received and the market value. The part of the company's creditor's rights (including estimated related interest) due to the debt compensation exceeding the fair value of the debt paying assets received by Beichuan Development Company totaling 2,335,526.9 thousand was expected to be unrecoverable. Since the transaction was implemented in accordance with the meeting minutes ([2014] No.35) of Sichuan People Government and was not the normal operation transaction, the Company treats the issued mentioned above as an equity transaction, and records expected loss from compensatory debt as capital reserve, in accordance with Enterprise Accounting Principles.

On December 5, 2016, the company reported to Sichuan SASAC by "Report on the opinions of the Sichuan Development restructuring post-disaster reconstruction government debts of Beichuan" and report to Sichuan Finance Department at the same time.

4. The transfer and management of important assets

1. The equity transfer between Energy Investment and Sichuan SASAC

According to the Notice of Sichuan SASAC about Gratuitous Transfer Sichuan Chemical Holding (Group) Co. Ltd to Energy Investment Group (Chuan Guozi Chanquan[2015] 77 in December 3, 2015), Sichuan SASAC gratuitously transferred 100% equity of Sichuan Chemical Holding (Group) Co. Ltd (hereinafter referred to as the Sichuan Chemical Holding Group) to Energy investment. On March 1, 2017, the registration of industrial and commercial change has been completed. However, due to the unsolved matters existed prior to the transfer, the supervision institution still managed Sichuan Chemical Holding Group. Therefore, as of June 30, 2020, Sichuan Chemical Holding Group was not consolidated in the financial statements of Energy Investment.

2. Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group, the wholly owned subsidiary of Sichuan Chemical Holding Group.

According to the Custody Agreement signed between Sichuan Chemical Holding Group and Energy Investment in March 16, 2015, Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group. Entrustment term: the entrustment term commenced from the day of the agreement signed to the approval of competent department that Energy Investment exercises responsibility as contributor or to the approval of alternatives. During the term of entrustment, Energy Investment was entrusted to manage the following matters: Asset capital management, personnel management, engineering construction supervision and management, production and operation supervision, financial supervision, investment and financing management. Energy Investment does not charge for the entrusted management and do not enjoy the right to distribute the income of Sichuan Chemical.

5. Significant debt financing during this year

1. 15 billion RMB of corporate bonds were issued

On March 4, 2019, the Company obtained the reply of CSRC on Approving the Public Issuance of Corporate Bonds by Sichuan Development Holding Co., Ltd. to Qualified Investors (ZJXK (2019) No. 292), approving the Company's public issuance of corporate bonds with a total face value of no more than RMB 15 billion to qualified investors. The Company's bonds are issued in installments. The first issue shall be completed within 12 months from the date of issuance approved by CSRC. The other issues shall be completed within 24 months from the date of issuance approved by CSRC. This approval shall be valid for 24 months from the date of approval. By June 30th 2020, $15 billion of corporate bonds had been issued.The specific distribution is as follows:

Date of issuance	Bond No.	Issued amount (100 million)	Duration	Coupon rate
March, 2019	19 Chuanfa 01	20	5	4.30%
	19 Chuanfa 02	10	10	4.75%
August, 2019	19 Chuanfa 03	15	5	3.83%

	19 Chuanfa 04	15	7	4.22%
November, 2019	19 Chuanfa 05	5	7	4.40%
	19 Chuanfa 06	20	10	4.75%
December, 2019	19 Chuanfa 07	5	5	3.90%
	19 Chuanfa 08	20	10	4.57%
March, 2020	20 Chuanfa 02	5	10	3.99%
April, 2020	20 Chuanfa 03	5	5	3.13%
	20 Chuanfa 04	30	10	3.99%
Total		150		

6. Our company has fulfilled the forward repurchase agreement signed with ICBC Credit Suisse.

In 2014, the Company signed an equity transfer agreement and a capital increase agreement of Sichuan Energy Industry Investment Group Co., Ltd with ICBC Credit Suisse Investment Management Co., Ltd (ICBCCC). The agreement stipulates the following: ICBCCC established "ICBCCC Investment Capital Increase-Sichuan Energy Industry Investment Group Co., Ltd Special asset management plan". And use the entrusted capital of RMB 3 billion under the special plan to transfer the capital contribution that the company has subscribed but not actually paid to the Sichuan Energy Industry Investment Group Co., Ltd, and to increase the capital of the Sichuan Energy Industry Investment Group Co., Ltd. After the completion of the capital increase, the special plan holds a 32.2% stake in Sichuan Energy Industry Investment Group Co., Ltd.

At the same time, our company signed a forward contract with ICBC Credit Suisse which name is “ICBCCC Investment Capital Increase-Sichuan Energy Industry Investment Group Co., Ltd Special asset management plan share transfer contract ". The agreement stipulates the following: Since the ICBCCC will pay the capital increase until the expiration of 6 years from the date of the capital verification account of Sichuan Energy Industry Investment Group Co., Ltd. The company will pay 3 billion RMB as agreed in the contract to accept the full shares held by ICBC Credit Suisse of “ICBCCC Investment Capital Increase-Sichuan Energy Industry Investment Group Co., Ltd Special asset management plan”.

The share repurchase has been completed. Sichuan Energy Industry Investment Group Co., Ltd has completed the registration formalities of industrial and commercial change on April 23, 2020.

7. Private placement of Chengdu Xinzhu Road & Bridge Machinery Co., Ltd

On February 12, 2020, Xinzhu Corporation received a *"reply on approving the private placement of Chengdu Xinzhu Road & Bridge Machinery Co., Ltd"* issued by the China Securities Regulatory Commission (CSRC [2020] No.138). Xinzhu Corporation issued 122.333 million RMB common shares to Sichuan Development Rail Transit Industry Investment Co., Ltd in the form of a private placement, with a par value of RMB 1 per share and an issue price of RMB 4.27 per share, raising a total of RMB

522,361,910.00 yuan, all of which were subscribed in cash. According to the letter issued by WUYIGE Certified Public Accountants LLP([2020] No. 14-00005). On March 10, 2020, the company received a capital contribution of RMB 515,004,119.44 from Shenwan Hongyuan Securities Co., Ltd. on behalf of the above-mentioned company. After deducting other issuing expenses RMB 2,602,333.00, the net amount of funds actually raised is RMB 512,401,786.44. The amount transferred into the capital is RMB 122,333,000.00, the balance of RMB 390,068,786.44 shall be transferred to the capital reserve (equity premium). The total share capital changed from 651,026,035 shares to 773,359,035 shares.

8. Payment of earnest money for equity acquisition XingNeng New Material Co., ltd.

Energy Investment signed Strategic Framework Agreement about Equity Reconstruction with Chengdu Xing Neng New Material Corporation (hereinafter referred as to "Xing Neng") and Luo Chaohua on November 10, 2015. Energy Investment paid off RMB 50 million earnest money on 2015 November and December to Xing Neng Company after Luo Chaohua pledged 48,066,034 shares. According to the Framework Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Luo Chaohua on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Framework Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

On March 18, 2016, Energy Investment (Party A), Xing Neng Company (Party B), Luo Chaohua(Party C) and Party D (Sino Merit Holdings Limited, Chengdu Xin Neng Heng Xin Technology Co., Chengdu Yiyun Technology Co., and Chengdu Tongyong Special Plastic Co.) signed Strategic Cooperation Agreement of Supplemental Earnest Money of Equity Reconstruction. After Party D pledged 1.75 million shares, 1.8 million shares, 1.35 million shares, and 4 million shares to Energy Investment respectively on March 2016, Energy Investment paid off total 150 million earnest money to Xing Neng Company on April and June 2016. According to the Supplemental Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Xing Neng Company on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Supplemental Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

As of December 31, 2019, the agreement of purchasing equity has no substantive progress, and the 200 million has still not taken back. Energy Investment has already recognized RMB 50 million bad debt according to the debt aging combination method.

9. Introduction of Hanlong Asset package received by Guoke Co. and debt reconstruction

Supreme People's Court appointed Sichuan Higher People's Court as court of jurisdiction of Hanlong Group's involved assets on June 15, 2016. Meanwhile, Sichuan SASAC was the temporal management legal person authorized by Sichuan government. Hanlong assets involved the assets of Hanlong Group and asset and liability of 44 enterprises that it invested (not including cash and cash equivalents and long-term investments). the audited total assets of the package were amounted to 18.178 billion, the total liabilities were amounted to 21.44 billion, while the net assets were -3.262 billion and appraisal value was 256 million according to the notice of court's auction. The package also involved 9.069 billion with 22 financial institutes (mainly the principal and interest of the loan that is due or not due).

Mianyang Technology and Sicence Development and Investment Group Co. (hereinafter refer as SDIC) received the asset package under the court's sentence. Then the asset package involving 44 enterprises will be transferred to Guoke Co., a joint investment of SDIC and Sanxin Company (managed by the Company). Guoke Co will manage and operate the package in the form of marketization. Both shareholders of Guoke shall burden the obligation and enjoy the right according to the proportion of shares.

As of end of 2018, the package completed transferring to Guoke Co. After Guoke company took over the assets and liabilities of Hanlong group, the Group took a lot of positive and effective measures to resolve the debt risk in order to maintain social stability and resume the normal operation of the enterprise as much as possible. The Group has arranged Shuxi Investment to purchase bank debt (including notes, short-term and long-term loans) of Guoke Co.

In 2018, the Guoke handled a total of 1.346 billion bank claims, 2.090 billion corresponding debts, and recognized 744 million of debt restructuring income. In 2019, Guoke handled a total of 310 million bank claims, 751 million corresponding debts and recognized RMB 441 million of debt restructuring income. After the purchase, the debt to bank of subsidiary of Hanlong transferred to the debt to the internal Group. The principal decreased dramatically and the Company achieved the purpose of decrease risk of debt.

10. Investment of Fengyuan Mining Co.

Industry Fund invested reconstruction project of Yanbian Zhongtai Mining Co. subjected to Panzhihua Fengyuan Mining Co. (hereinafter refer as to Fengyuan Mining) on September 2014 and the investment amount was 1billion. Because of the decreasing price of iron concentrate and Ilmenite concentrate from 2014, divergent business philosophy of shareholders, repayment loan in advance, and lack of raw mine, Fengyuan Mining suspended production in 2015, and restarted in stage to product during October 2015 to March 2016. In November 2016, the trial production will resume gradually. In the middle of 2017, due to environmental protection inspection, the production has not been resumed.

According to article 3 of other possible triggers in the restructuring and investment agreement in 2014, such as Fengyuan Mining Co failed to launch listings on time that would triggering capital withdrawal. Our company shall implement the capital withdrawal no earlier than September 30, 2017. Triggering capital withdrawal in other circumstances without any time limit above. Although the capital withdrawal clause had been triggered by the Fengyuan Mining Co, it did not complete withdrawal pursuant to the agreement as of end of 2018.

After the senior partner exits in 2019, the Industrial Fund has become a wholly-owned enterprise of Sichuan Development holding Co., Ltd. Industrial fund is no longer entrusted with their business to Guochen fund to manage. After the industrial Fund took over the management of the investment Fengyuan Mining Co. We have sent special personnel to negotiate with local governments and other potential investors for many times, and actively promote the pre-restructuring before bankruptcy. And signed the *Cooperation Intention Agreement* with the actual controller of a listed company on July 30, 2020. The recovery method, amount and period of the investment are determined. As of June 30, 2020, the Group has made an impairment provision of 24,3987,800 RMB for Fengyuan Mining Co.

11. The state-owned equity transfer of Sichuan Atlantic Welding Materials Co., Ltd accepted by Sichuan Development Mining Investment Co., Ltd was terminated

On November 20, 2017, the company and Zigong SasAC received a notice from State-owned Assets Supervision and Administration Commission of the State Council (SasAC) that *Notice of approval on the transfer of some shares held by state-owned shareholders of Sichuan Atlantic Welding Materials Co., LTD* (Sichuan SasAC [20170 No.27]. Agreed to transfer 27,0526,255 shares held by Sichuan Atlantic Welding Materials Co., Ltd to Development Mining Investment Co., Ltd as required by SasAC which accounting for 30.14% of the total share capital.

On November 24, 2017, Sichuan Development Mining Investment Co., Ltd received the CSRC's *Approval of Exemption of Sichuan Development Guorui Mining Investment Co., LTD. 's offer to purchase the shares of Sichuan Atlantic Welding Materials Co., LTD (CSRC [2017] No.2132)*. CSRC approves exemption of tender offer obligations for Sichuan Development Mining Investment Co., Ltd.

On January 18, 2020, Sichuan Development Mining Investment Co., Ltd and Atlantic Group signed an *Agreement on termination*. Both parties agree that *the Transfer Agreement without Compensation* and *the Proxy of Voting Rights* in the Annex. As of the effective date of the *Agreement on termination*, neither party shall carry out the transfer work, and therefore will not carry out the voting rights entrustment under *the Proxy of Voting Rights.*

12. The Government Guidance Fund managed by the our Group

(1) The Sichuan Provincial Department of Finance, Sichuan Province Economic and Information

Item	Ending Balance	Item	Ending Balance
Monetary Funds	916,170,695.74	Special Account Payable	4,179,084,836.05
Financial Assets-available for-Sales	44,240,000.00	Other comprehensive income	-48,391,247.75
Long-term Investment	3,110,059,830.38	Undistributed Profit	-60,223,062.18
Total Assets	**4,070,470,526.12**	**Total Liabilities and Income**	**4,070,470,526.12**

(2) On December 23, 2015, Sichuan finance department and equity fund signed the Entrust Agreement of Financial Contribution by Sichuan Innovation Enterprise Investment Guidance Fund. Sichuan finance department entrusted Equity Fund to be an issuer to set up the fund mention before (expect for the stock engaged fund), Equity Fund shall set up the fund with total size which is no lea than 4 times capital contributed by finance department, stands for the contributor of finance department to contribute, management, withdraw, distribute, liquidate and other rights of contributor, and collects the entrust management fee and obtains performance incentives. The guidance fund and equity fund mentioned above shall be individually accounted. As at 30 June 2020, the details of the fund are as follow:

Item	Ending Balance	Item	Ending Balance
Monetary Funds	427,430,188.39	Special Account Payable	2,556,016,828.17
Financial Assets-available for-Sales	2,129,661,549.62	Other Account Payable	1,074,909.84
Total Assets	**2,557,091,738.01**	**Total Liabilities**	**2,557,091,738.01**

Sichuan Development Holding Co., Ltd

September 30, 2020

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(Note: Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail)

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Independent Auditors' Report

XYZH/2020CDA20349

To the Board of Directors of Sichuan Development Holding CO., LTD:

We have audited the accompanying financial statements of Sichuan Development Holding CO., LTD (hereinafter to be referred as Sichuan Development Company) which comprise the consolidated and company balance sheets as at 31 December 2019, the consolidated and company income statements, statement of changes in equity and cash flow statement for the year ended 31 December 2019 and notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis for preparation mentioned in Note II, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of basis for preparation mentioned in Note II in all material respects and present fairly the consolidated and the Company's financial positions as of December 31, 2019, and the consolidated and the Company's operations and cash flows for the year ended December 31, 2019.

ShineWing Certified Public Accountants

PRC certified public accountant

PRC certified public accountant

Beijing, China

June 19, 2020

Consolidated Balance Sheet

As at December 31, 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019.12.31	2018.12.31
Current assets	1		
Cash and cash equivalents	2	115,547,759,024.11	117,199,436,821.32
Settlement reserves	3		
Loans to banks and other financial institutions	4		
Held-for-trading financial assets	5	1,561,406,533.02	
Financial assets at fair value through profit or loss	6	4,149,366,079.52	3,201,558,372.37
Derivative financial assets	7		
Notes receivable	8	1,463,433,274.02	737,921,953.99
Accounts receivable	9	25,043,438,081.84	21,413,377,440.61
Receivables for financing	10		
Prepayments	11	8,154,963,673.05	8,076,456,006.36
Premium receivable	12		
Reinsurance receivable	13		
Reinsurance contract reserves receivable	14		
Other receivables	15	40,756,573,622.94	35,984,953,907.37
Financial assets under reselling agreement	16		
Inventories	17	69,270,167,996.79	58,841,397,587.11
Contract assets	18		
Assets held for sale	19		
Non-current assets due within one year	20	9,096,182,008.50	10,445,355,708.06
Other current assets	21	17,833,055,899.03	17,493,009,790.61
Total current assets	22	**292,876,346,192.82**	**273,393,467,587.80**
Non-current assets	23		
Loans and advances to customers	24	6,829,485,257.75	7,291,162,585.62
Debt investments	25		
Available-for-sale financial assets	26	49,914,606,864.86	32,490,309,909.23
Other debt investments	27		
Held-to-maturity investments	28	2,127,051,400.00	607,701,686.98
Long-term receivables	29	93,622,346,031.97	87,918,763,599.85
Long-term equity investments	30	83,371,966,201.95	73,539,653,075.38
Other equity instruments investment	31	2,174,648,585.97	
Other non-current financial assets	32	576,104,036.43	
Investment properties	33	4,170,939,013.24	3,647,360,499.20
Fixed assets	34	273,640,727,094.12	252,223,391,679.14
Construction in progress	35	90,417,155,642.40	86,329,437,638.52
Productive biological assets	36	42,518,734.68	60,298,965.35
Oil and gas assets	37		
Right-of-use assets	38	422,496,046.17	
Intangible assets	39	143,403,707,008.48	152,426,128,626.56
Development costs	40	528,141,503.37	481,949,530.33
Goodwill	41	4,341,417,486.42	3,336,400,334.63
Long-term deferred expenses	42	2,205,146,184.05	1,041,669,171.72
Deferred tax assets	43	2,400,658,481.61	2,161,381,469.01
Other non-current assets	44	93,941,718,070.71	79,791,253,786.02
Including: Physical assets reserve specifically authorized	45		
Total non-current assets	46	**854,130,833,644.18**	**783,346,862,557.54**
Total assets	47	**1,147,007,179,837.00**	**1,056,740,330,145.34**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Balance Sheet (Continued)
As at December 31, 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019.12.31	2018.12.31
Current liabilities	1		
Short-term loans	2	43,794,497,279.54	39,257,542,561.81
Loans from central bank	3		
Deposits from banks and other financial institutions	4		
Held-for-trading financial liabilities	5		
Financial liabilities at fair value through profit or loss	6	112,549,008.86	
Deriative finance liabilities	7		
Notes payable	8	2,494,270,871.29	1,932,348,205.60
Accounts payable	9	45,494,505,912.44	43,347,251,639.32
Advances from customers	10	14,980,353,872.79	12,864,841,367.63
Contract liabilities	11	1,087,068,910.21	
Payments for the redemption of financial assets	12		
Deposits from customers and interbank	13		
Customer brokerage deposits	14		
Securities unerwriting brokerage deposits	15		
Employee benefits payable	16	4,105,311,851.04	3,352,726,226.95
Taxes payable	17	3,676,997,142.01	3,354,530,809.49
Other payables	18	34,698,331,563.61	32,887,850,819.70
Handling charges and commission payable	19		
Insurance contract reserves	20		
Liabilities held for sale	21		
Non-current liabilities due within one year	22	62,994,126,254.22	48,202,219,108.90
Other current liabilities	23	12,908,722,159.28	8,878,747,937.09
Total current liabilities	24	**226,346,734,825.29**	**194,078,058,676.49**
Non-current liabilities	25		
Insurance contract reserves	26	640,312,203.76	499,732,537.57
Long-term loans	27	449,330,315,145.55	444,063,824,303.44
Bonds payable	28	111,029,223,853.40	78,590,086,737.64
Including: Preferred shares	29		
Perpetual bonds	30		
Lease liabilities	31	316,428,186.60	
Long-term payables	32	38,702,939,039.20	36,178,656,955.53
Long-term employee benefits payable	33	32,718,810.25	35,137,312.63
Provisions	34	1,394,866,854.60	1,700,753,689.52
Deferred income	35	4,019,170,553.21	3,328,066,002.91
Deferred tax liabilities	36	3,584,704,324.03	4,009,173,728.63
Other non-current liabilities	37	1,251,713,904.93	749,235,453.69
Including: Physical liabilities reserve specifically authorized	38		
Total non-current liabilities	39	**610,302,392,875.53**	**569,154,666,721.56**
Total liabilities	40	**836,649,127,700.82**	**763,232,725,398.05**
Shareholders' equity	41		
Share capital	42	74,041,060,000.00	67,991,060,000.00
State-owned capital	43	74,041,060,000.00	67,991,060,000.00
State-owned legal person's capital	44		
Collective legal person's capital	45		
Private capital	46		
Foreign businessmen's capital	47		
#less: Returned investment	48		
Registered capital net book value	49	74,041,060,000.00	67,991,060,000.00
Other equity instruments	50		
Including: Preferred shares	51		
Perpetual bonds	52		
Capital reserve	53	101,473,960,505.73	102,430,652,183.22
Less: Treasury shares	54		
Other comprehensive income	55	1,565,837,437.02	874,629,175.95
Including: exchange differences on translating foreign	56	104,252,337.24	51,725,240.31
Special reserves	57	19,186,742.09	38,867,140.80
Surplus reserves	58	893,977,136.03	779,268,045.68
Including: Staturory accumulation reserve	59	893,977,136.03	779,268,045.68
Discretionary accumulation	60		
#Rerserved funds	61		
#Enterprise expension funds	62		
#Profits capitalised on return of investments	63		
General risk provision	64	211,800,075.70	85,966,956.69
Retained earnings	65	3,114,575,004.32	2,339,604,519.24
Total equity attributable to shareholders of the Company	66	**181,320,396,900.89**	**174,540,048,021.58**
Non-controlling interests	67	129,037,655,235.29	118,967,556,725.71
Total shareholders' equity	68	**310,358,052,136.18**	**293,507,604,747.29**
Total liabilities and shareholders' equity	69	**1,147,007,179,837.00**	**1,056,740,330,145.34**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Balance Sheet of the Company
As at December 31, 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019.12.31	2018.12.31
Current assets	1		
Cash and cash equivalents	2	10,539,628,200.03	8,133,460,565.01
Held-for-trading financial assets	3		
Financial assets at fair value through profit or loss	4		
Derivative financial assets	5		
Notes receivable	6		
Accounts receivable	7		
Receivables for financing	8		
Prepayments	9	4,559,467.39	904,598.56
Other receivables	10	19,118,232,258.40	13,080,065,985.15
Inventories	11	1,925,845.64	1,752,473.08
Contract assets	12		
Assets held for sale	13		
Non-current assets due within one year	14	8,122,709,979.34	4,619,886,000.00
Other current assets	15	3,551,000,000.00	1,240,000,000.00
Total current assets	16	**41,338,055,750.80**	**27,076,069,621.80**
Non-current assets	17		
Debt investments	18		
Available-for-sale financial assets	19	3,332,656,788.80	1,654,097,618.16
Other debt investments	20		
Held-to-maturity investments	21		
Long-term receivables	22	22,594,751,004.32	23,728,121,787.14
Long-term equity investments	23	165,382,841,399.23	154,680,589,253.06
Other equity instruments investment	24		
Other non-current financial assets	25		
Investment properties	26		
Fixed assets	27	6,375,925.05	6,375,460.86
Construction in progress	28		
Productive biological assets	29		
Oil and gas assets	30		
Right-of-use assets	31		
Intangible assets	32	460,650.19	591,858.16
Development costs	33		
Goodwill	34		
Long-term deferred expenses	35	3,677,216.77	102,610.16
Deferred tax assets	36		
Other non-current assets	37	6,107,550,892.60	3,817,550,892.60
Including: Physical assets reserve specifically authorized	38		
Total non-current assets	39	**197,428,313,876.96**	**183,887,429,480.14**
Total assets	40	**238,766,369,627.76**	**210,963,499,101.94**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Balance Sheet of the Company (Continued)
As at December 31, 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019.12.31	2018.12.31
Current liabilities	1	-	-
Short-term loans	2	12,519,181,600.00	8,440,425,000.00
Held-for-trading financial liabilities	3		
Financial liabilities at fair value through profit or loss	4		
Deriative finance liabilities	5		
Notes payable	6		
Accounts payable	7		
Advances from customers	8		
Contract liabilities	9		
Employee benefits payable	10	38,295,946.53	41,025,395.90
Taxes payable	11	80,418,287.21	72,887,526.91
Other payables	12	4,997,109,941.67	4,745,160,875.26
Liabilities held for sale	13		
Non-current liabilities due within one year	14	18,861,772,531.65	14,773,250,000.00
Other current liabilities	15		
Total current liabilities	16	**36,496,778,307.06**	**28,072,748,798.07**
Non-current liabilities	17		
Long-term loans	18	37,351,714,906.50	35,676,630,000.00
Bonds payable	19	35,953,010,300.72	20,964,995,347.31
Including: Preferred shares	20		
Perpetual bonds	21		
Lease liabilities	22		
Long-term payables	23	5,166,034,500.00	5,196,044,500.00
Long-term employee benefits payable	24		
Provisions	25	251,395,005.74	310,502,844.87
Deferred income	26		
Deferred tax liabilities	27	5,352,226.10	34,704,939.60
Other non-current liabilities	28		
Including: Physical liabilities reserve specifically authorized	29		
Total non-current liabilities	30	**78,727,506,939.06**	**62,182,877,631.78**
Total liabilities	31	**115,224,285,246.12**	**90,255,626,429.85**
Shareholders' equity	32		
Share capital	33	74,041,060,000.00	67,991,060,000.00
State-owned capital	34	74,041,060,000.00	67,991,060,000.00
State-owned legal person's capital	35		
Collective legal person's capital	36		
Private capital	37		
Foreign businessmen's capital	38		
#less: Returned investment	39		
Registered capital net book value	40	74,041,060,000.00	67,991,060,000.00
Other equity instruments	41		
Including: Preferred shares	42		
Perpetual bonds	43		
Capital reserves	44	48,788,072,465.74	52,148,601,217.36
Less: Treasury shares	45		
Other comprehensive income	46	12,037,248.16	47,866,690.49
Including: exchange differences on translating foreign	47		
Special reserves	48		
Surplus reserves	49	436,006,581.08	321,297,490.73
Including: Staturory accumulation reserve	50	436,006,581.08	321,297,490.73
Discretionary accumulation	51		
#Rerserved funds	52		
#Enterprise expension funds	53		
#Profits capitalised on return of investments	54		
Retained earnings	55	264,908,086.66	199,047,273.51
Total shareholders' equity	56	**123,542,084,381.64**	**120,707,872,672.09**
Total liabilities and shareholders' equity	57	**238,766,369,627.76**	**210,963,499,101.94**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Income Statement

For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019	2018
I.Total operating income	1	**248,317,174,528.43**	**200,303,539,313.51**
Including: Operating income	2	248,247,515,798.27	200,200,141,317.01
Interest income	3	68,333,023.13	103,388,589.43
Earned premiums	4		
Fees and commission income	5	1,325,707.03	9,407.07
II.Total operating costs	6	**249,500,947,223.99**	**201,703,856,886.74**
Including: Operating costs	7	212,945,429,993.37	172,615,308,115.88
Interest expenses	8		
Fees and commission expenses	9	3,004,448.97	351,491.67
Payments to surrenders of insurance contracts	10		
Net amount of insurance claims expenses	11		
Net charges of provision for insurance contracts	12	140,579,666.19	77,965,420.66
Dividends policy expenses	13		
Reinsurance expenses	14		
Taxes and surcharges	15	1,427,527,440.62	965,135,901.26
Selling and distribution expenses	16	3,094,733,487.42	2,516,189,195.91
General and administrative expenses	17	9,172,296,184.28	7,762,713,013.39
Research and development expenses	18	1,134,401,852.36	417,622,698.63
Financial expenses	19	21,582,974,150.78	17,348,571,049.34
Including: Interest expenses	20	23,388,283,595.29	18,154,589,233.79
Interest income	21	2,639,024,687.16	1,583,070,508.73
Exchange loss ("-" for gains)	22	150,500,198.41	287,883,793.04
Others	23	-	-
Add: Other income	24	780,337,593.98	865,865,482.70
Investment income ("-" for losses)	25	9,480,537,724.09	6,890,098,311.52
Including:Investment income from associates and joint ventures	26	3,108,867,867.50	1,842,127,237.81
Gains from derecognition of financial assets measured at amortized cost	27	-	-
Exchange gain ("-" for losses)	28	-	-
Net exposure hedging income	29	-	-
Gains from changes in fair value("-" for losses)	30	407,737,889.51	-976,875,288.18
Credit impairment losses ("-" for losses)	31	-216,861,480.93	-
Asset impairment losses ("-" for losses)	32	41,418,111.40	-1,998,610,359.77
Gains from asset disposals ("-" for losses)	33	237,536,348.40	203,910,712.04
III. Operating profit ("-" for losses)	34	**9,546,933,490.89**	**3,584,071,285.08**
Add: Non-operating income	35	1,571,561,326.12	1,770,654,108.79
Including: Government grants	36	204,172,042.94	141,079,880.21
Less: Non-operating expenses	37	406,522,674.73	870,160,014.02
IV.Total profit ("-" for losses)	38	**10,711,972,142.28**	**4,484,565,379.85**
Less: Income tax expenses	39	2,302,551,925.37	1,515,207,924.92
V. Net profit ("-" for net losses)	40	**8,409,420,216.91**	**2,969,357,454.93**
1. Classified by continuing operation	41	-	-
(1) Net profit from continuing operations ("-" for losses)	42	1,982,033,694.44	-1,583,591,720.25
(2) Net profit from discontinued operations ("-" for losses)	43	6,427,386,522.47	4,552,949,175.18
2. Classified by ownership	44		-
(1) Shareholders of the Company	45	8,409,420,216.91	2,985,585,093.90
(2) Non-controlling interests	46	-	-16,227,638.97
VI.Other comprehensive income, net of tax	47	**1,146,175,851.49**	**-1,231,609,847.31**
Other comprehensive income (net of tax) attributable to shareholders of the Company	48	691,208,261.07	-439,748,025.74
(1) Items that will not be reclassified to profit or loss	49	137,785,136.22	-9,298,478.20
1. Remeasurement of defined benefit plan liability	50	-	-
2. Share of other comprehensive incomes that cannot be tranferred into profit and loss under equity method	51		-9,298,478.20
3. Changes in fair value of other equity instruments investments	52	137,785,136.22	-
4. Changes in fair value of enterprise's own credit risk	53	-	-
5. Others	54	-	-
(2) Items that may be reclassified to profit or loss□	55	553,423,124.85	-430,449,547.54
1. Share of other comprehensive incomes under equity method	56	325,306,459.25	617,046,473.02
2. Changes in fair value of other creditor's investments	57	-	-
3. Gains or losses from changes in fair value of available for sale financial assets	58	264,221,914.67	-1,127,656,458.82
4. Amount of financial assets to be reclassified into other comprehensive income	59	-	-
5. Gains or losses of held-to-maturity investments to be reclassified into available-for-sale financial assets	60	-	-
6. Credit impairment provisions for other creditor's investments	61	-	-
7. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)	62	-88,632,346.00	-
8.Foreign currency translation difference	63	52,527,096.93	80,160,438.26
9. Others	64	-	-
Net after-tax other comprehensive income attributable to non-controlling interets	65	454,967,590.42	-791,861,821.57
VII.Total comprehensive income	66	**9,555,596,068.40**	**1,737,747,607.62**
Total comprehensive income attributable to shareholders of the Company	67	2,673,241,955.51	-2,023,339,745.99
Total comprehensive income attributable to non-controlling interests	68	6,882,354,112.89	3,761,087,353.61
VIII.Earnings per share	69	-	-
(1) Basic earnings per share	70	-	-
(2) Diluted earnings per share	71	-	-

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Income Statement of the Company
For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019	2018
I.Operating income	1	**620,671,714.53**	**625,652,708.68**
Less: Operating cost	2		-
Taxes and surcharges	3	21,466,761.12	17,220,657.43
Selling and distribution expenses	4		-
General and administrative expenses	5	178,969,272.21	124,596,033.43
Research and development expenses	6	-	-
Financial expenses	7	4,394,497,586.54	3,478,699,421.55
Including: Interest expenses	8	4,477,931,767.28	3,537,266,218.58
Interest income	9	83,273,921.58	58,893,712.24
Exchange loss ("-" for gains)	10	-584,467.64	-
Others	11	-	-
Add: Other income	12	4,000,000.00	3,547,526.70
Investment income ("-" for losses)	13	4,298,020,363.26	3,369,512,251.97
Including:Investment income from associates and jo	14	364,403,030.68	403,472,001.62
Gains from derecognition of financial assets measured at amortized cost	15	-	-
Net exposure hedging income	16		-
Gains from changes in fair value ("-" for losses)	17		-
Credit impairment losses ("-" for losses)	18		-
Impairment losses ("-" for losses)	19	828,425,020.03	-94,635,113.70
Gains from asset disposals ("-" for losses)	20		1,012,267.35
II. Operating profit ("-" for losses)	21	**1,156,183,477.95**	**284,573,528.59**
Add: Non-operating income	22	123,187.65	119,423.91
Including: Government grants	23	-	-
Less: Non-operating expenses	24	9,215,762.10	81,570,161.42
III. Total profit ("-" for losses)	25	**1,147,090,903.50**	**203,122,791.08**
Less: Income tax expenses	26	-	-
IV. Net profit ("-" for net losses)	27	**1,147,090,903.50**	**203,122,791.08**
(1) Net profit from continuing operations ("-" for losses)	28	1,147,090,903.50	203,122,791.08
(2) Net profit from discontinued operations ("-" for losses)	29	-	-
V.Other comprehensive income, net of tax	30	**-35,829,442.33**	**-151,102,846.63**
(1) Items that will not be reclassified to profit or loss	31	-	-
1. Remeasurement of defined benefit plan liability	32	-	-
2. Share of other comprehensive incomes that cannot be tranferred into profit and loss under equity method	33	-	-
3. Changes in fair value of other equity instruments investments	34	-	-
4. Changes in fair value of enterprise's own credit risk	35	-	-
5. Others	36	-	-
(2) Items that may be reclassified to profit or loss	37	-35,829,442.33	-151,102,846.63
1. Share of other comprehensive incomes under equity met	38	52,228,698.97	-56,247,189.13
2. Changes in fair value of other creditor's investments	39	-	-
3. Gains or losses from changes in fair value of available for sale financial assets	40	-88,058,141.30	-94,855,657.50
4. Amount of financial assets to be reclassified into other comprehensive income	41	-	-
5. Gains or losses of held-to-maturity investments to be reclassified into available-for-sale financial assets	42	-	-
6. Credit impairment provisions for other creditor's investments	43	-	-
7. Cash flow hedge reserve (effective portion of gains or losses from cash flow hedges)	44	-	-
8.Foreign currency translation difference	45		-
9. Others	46		-
VI.Total comprehensive income	47	**1,111,261,461.17**	**52,019,944.45**
VII.Earnings per share	48		
(1) Basic earnings per share	49		
(2) Diluted earnings per share	50		

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Cash Flow Statement

For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2019	2018
I. Cash flows from operating activities	1	-	-
Cash received from sales of goods and rendering of services	2	249,809,055,126.99	194,849,872,572.65
Net increase in deposits from customers and inter-banks deposits	3	-	-
Net increase in loans from central bank	4	-	-
Net increase in loans from other financial institutions	5	-	-
Cash receipts of premium of direct insurance contracts	6	-	-
Net cash received from reinsurance contracts	7	-	-
Net increase in deposits from insurance policy holders and investment	8	-	-
Net increase from disposal of financial assets at fair value through profit or loss	9	-	-
Cash receipts of interest, fees and commission	10	913,565,524.74	1,194,700,348.35
Net increase in borrowings from banks and other financial institutions	11	-	-
Net increase in repurchase operations	12	-	-
Net increase in Securities underwriting brokerage deposits	13	-	-
Cash received from tax refund	14	350,956,860.47	112,422,450.54
Cash received relating to other operating activities	15	31,622,872,201.38	41,275,028,365.75
Sub-total of cash inflows from operating activities	16	**282,696,449,713.58**	**237,432,023,737.29**
Cash paid for goods and services	17	219,064,213,820.09	165,391,732,805.90
Net increase in loans and disbursement to customers	18	-948,247,093.96	166,920,621.81
Net increase in deposit with central bank and inter-banks	19	-	-
Cash paid for claims of direct insurance contracts	20	-	-
Net increase in Loans to banks and other financial institutions	21	-	-
Cash paid for interest, fee and commission	22	543,566,879.00	564,108,738.60
Cash paid for dividends of insurance policies	23	-	-
Cash paid to and on behalf of employees	24	13,742,321,054.57	11,577,991,808.41
Payments of taxes and surcharges	25	8,135,010,175.86	6,579,186,303.68
Cash paid relating to other operating activities	26	31,347,936,109.31	43,526,712,918.73
Sub-total of cash outflows from operating activities	27	**271,884,800,944.87**	**227,806,653,197.13**
Net cash flows from operating activities	28	**10,811,648,768.71**	**9,625,370,540.16**
II. Cash flows from investment activities	29	-	-
Cash received from withdrawal of investments	30	110,703,361,332.80	142,062,250,116.07
Cash received from investments income	31	5,840,297,318.44	4,219,750,839.80
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	53,957,886.44	102,944,945.97
Net cash received from disposal of subsidiaries and other business units	33	4,786,338,539.22	872,112,003.00
Cash received relating to other investing activities	34	9,008,402,971.63	3,644,586,583.78
Sub-total of cash inflows from investing activities	35	**130,392,358,048.53**	**150,901,644,488.62**
Cash paid to acquire fixed assets, intangible assets and other long-term assets	36	61,621,265,810.28	46,023,814,232.06
Cash paid for investments	37	140,289,913,331.74	166,818,563,147.21
Net increase in pledged lending	38	-	-
Net cash paid to acquire subsidiaries and other business units	39	2,168,007,222.59	1,051,015,191.07
Cash paid relating to other investing activities	40	16,553,016,340.45	8,733,195,178.57
Sub-total of cash outflow from investing activities	41	**220,632,202,705.06**	**222,626,587,748.91**
Net cash flows from investing activities	42	**-90,239,844,656.53**	**-71,724,943,260.29**
III.Cash flows from financing activities	43	-	-
Cash received from investments	44	27,711,802,401.27	16,142,016,825.88
Including: cash received by subsidiaries from investment of non-controlling interests	45	15,310,572,401.27	4,222,176,501.73
Cash received from loans granted	46	200,518,422,403.28	195,815,222,586.77
Cash received from bonds issued	47	-	-
Cash received relating to other financing activities	48	19,988,988,474.31	19,547,439,068.77
Sub-total of cash inflows from financing activities	49	**248,219,213,278.86**	**231,504,678,481.42**
Cash paid for repayment of borrowings	50	123,707,068,560.16	115,196,999,296.92
Cash paid for dividends, profits or payments of interests	51	32,199,971,626.03	26,345,924,756.51
Including: dividends and profits paid to non-controlling interests by subsidiaries	52	3,446,583,151.79	2,441,413,375.58
Cash paid relating to other financing activities	53	16,508,330,193.28	6,120,386,713.30
Sub-total of cash outflows from financing activities	54	**172,415,370,379.47**	**147,663,310,766.73**
Net cash flows from financing activities	55	**75,803,842,899.39**	**83,841,367,714.69**
IV. Effects of changes in exchange rate on cash and cash equivalents	56	72,303,950.12	176,490,979.03
V. Net increase in cash and cash equivalents	57	**-3,552,049,038.31**	**21,918,285,973.59**
Add: opening balance of cash and cash equivalents	58	115,156,718,077.08	93,238,432,103.49
VI. Closing balance of cash and cash equivalents	59	**111,604,669,038.77**	**115,156,718,077.08**

Legal Representative: 李文清 Chief Financial Officer: Head of Accounting Department:

Cash Flow Statement of the Company
For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Items	Note	2019	2018
I. Cash flows from operating activities:	1	-	-
Cash received from sales of goods and rendering of services	2		
Cash received from tax refund	3		
Cash received relating to other operating activities	4	720,676,735.33	656,405,325.37
Sub-total of cash inflows from operating activities	5	**720,676,735.33**	**656,405,325.37**
Cash paid for goods and services	6		
Cash paid to and on behalf of employees	7	109,075,168.88	67,551,530.34
Payments of taxes and surcharges	8	195,263,928.37	124,041,140.95
Cash paid relating to other operating activities	9	298,596,632.41	396,542,044.26
Sub-total of cash outflows from operating activities	10	**602,935,729.66**	**588,134,715.55**
Net cash flows from operating activities	11	**117,741,005.67**	**68,270,609.82**
II. Cash flows from investment activities	12		
Cash received from withdrawal of investments	13	77,710,677,889.89	74,735,911,437.40
Cash received from investments income	14	4,200,928,014.76	2,339,305,159.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15		243,600.00
Net cash received from disposal of subsidiaries and other business units	16		
Cash received relating to other investing activities	17		
Sub-total of cash inflows from investing activities	18	**81,911,605,904.65**	**77,075,460,197.06**
Cash paid to acquire fixed assets, intangible assets and other long-term assets	19	5,753,473.39	2,755,137.78
Cash paid for investments	20	112,506,928,930.04	103,749,521,080.10
Net cash paid to acquire subsidiaries and other business units	21		
Cash paid relating to other investing activities	22		43,304,100.00
Sub-total of cash outflow from investing activities	23	**112,512,682,403.43**	**103,795,580,317.88**
Net cash flows from investing activities	24	**-30,601,076,498.78**	**-26,720,120,120.82**
III. Cash flows from financing activities	25		
Cash received from investments	26	12,401,230,000.00	10,262,467,100.00
Cash received from loans granted	27	53,414,836,470.00	29,823,675,000.00
Cash received relating to other financing activities	28	1,464,242,900.00	3,627,317,814.77
Sub-total of cash inflows from financing activities	29	**67,280,309,370.00**	**43,713,459,914.77**
Cash paid for repayment of borrowings	30	28,577,065,000.00	15,372,533,849.78
Cash paid for dividends, profits or payments of interests	31	5,099,939,728.42	3,744,572,126.14
Cash paid relating to other financing activities	32	714,385,981.09	35,000,000.00
Sub-total of cash outflows from financing activities	33	**34,391,390,709.51**	**19,152,105,975.92**
Net cash flows from financing activities	34	**32,888,918,660.49**	**24,561,353,938.85**
IV. Effects of changes in exchange rate on cash and cash equivalents	35	584,467.64	-
V. Net increase in cash and cash equivalents	36	**2,406,167,635.02**	**-2,090,495,572.15**
Add: opening balance of cash and cash equivalents	37	8,133,460,565.01	10,223,956,137.16
VI. Closing balance of cash and cash equivalents	38	**10,539,628,200.03**	**8,133,460,565.01**

Legal Representative: 李文清印 Chief Financial Officer: Head of Accounting Department:

Consolidated Statement of Changes in Equity

For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	2019													
	Equity attributable to shareholders of the Company												Non-controlling interests	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Subtotal		
		Preferred shares	Perpetual bonds	Others										
I. Balance at the end of last year	**67,991,060,000.00**	-	-	-	**102,430,652,183.22**	-	**874,629,175.95**	**38,867,140.80**	**779,268,045.68**	**85,966,956.69**	**2,339,604,519.24**	**174,540,048,021.58**	**118,967,556,725.71**	**293,507,604,747.29**
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	
Correction of prior-period errors		-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	67,991,060,000.00	-	-	-	102,430,652,183.22	-	874,629,175.95	38,867,140.80	779,268,045.68	85,966,956.69	2,339,604,519.24	174,540,048,021.58	118,967,556,725.71	293,507,604,747.29
III. Changes during this year ("-" for decreases)	6,050,000,000.00	-	-	-	-956,691,677.49	-	691,208,261.07	-19,680,398.71	114,709,090.35	125,833,119.01	774,970,485.08	6,780,348,879.31	10,070,098,509.58	16,850,447,388.89
(1) Total comprehensive income	-	-	-	-	-	-	691,208,261.07	-	-	-	1,982,033,694.44	2,673,241,955.51	6,882,354,112.89	9,555,596,068.40
(2) Capital contribution and reduction from shareholders	6,050,000,000.00	-	-	-	-956,691,677.49	-	-	-	-	-	-	5,093,308,322.51	6,868,451,144.47	11,961,759,466.98
1. Common stock capital contribution from shareholders	6,050,000,000.00	-	-	-	6,351,230,000.00	-	-	-	-	-	-	12,401,230,000.00	10,559,482,399.51	22,960,712,399.51
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-1,960,000,000.00	-1,960,000,000.00
3. Equity increase from share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-7,307,921,677.49	-	-	-	-	-	-	-7,307,921,677.49	-1,731,031,455.04	-9,038,953,132.53
(3) Special reserves	-	-	-	-	-	-	-	-19,680,398.71	-	-	-	-19,680,398.71	-19,932,977.62	-39,613,376.33
1. Provision for special reserves	-	-	-	-	-	-	-	486,533,293.82	-	-	-	486,533,293.82	471,809,028.05	958,342,321.87
2. Utilisation of special reserves	-	-	-	-	-	-	-	-506,213,692.53	-	-	-	-506,213,692.53	-491,742,005.67	-997,955,698.20
(4) Profit appropriations	-	-	-	-	-	-	-	-	114,709,090.35	125,833,119.01	-1,207,063,209.36	-966,521,000.00	-3,660,773,770.16	-4,627,294,770.16
1. Appropriation to surplus reserves	-	-	-	-	-	-	-	-	114,709,090.35	-	-114,709,090.35	-	-	-
Including: legal reserves	-	-	-	-	-	-	-	-	114,709,090.35	-	-114,709,090.35	-	-	-
other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
reserve for business development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
profits capitalized on return of investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation to general risks provision	-	-	-	-	-	-	-	-	-	125,833,119.01	-125,833,119.01	-	-	-
3. Appropriation to shareholders	-	-	-	-	-	-	-	-	-	-	-966,521,000.00	-966,521,000.00	-1,008,682,021.15	-1,975,203,021.15
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-2,652,091,749.01	**-2,652,091,749.01**
(5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalisation of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalisation of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer of defined benefits plan to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Other comprehensive income transfer the retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of this year	**74,041,060,000.00**	-	-	-	**101,473,960,505.73**	-	**1,565,837,437.02**	**19,186,742.09**	**893,977,136.03**	**211,800,075.70**	**3,114,575,004.32**	**181,320,396,900.89**	**129,037,658,235.29**	**310,358,052,136.18**

Legal Representative: 李文清

Chief Financial Officer: 黄建琴

Head of Accounting Department:

Consolidated Statement of Changes in Equity (Continued)
For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	2018													
	Equity attributable to shareholders of the Company												Non-controlling interests	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings	Subtotal		
		Preferred equity	Perpetual bonds	Others										
I. Balance at the end of last year	**67,756,060,000.00**				**87,308,284,402.26**		**1,314,377,201.69**	**94,161,439.89**	**758,955,766.57**	**20,377,351.10**	**6,544,494,529.86**	**163,796,710,691.37**	**99,439,493,356.39**	**263,236,204,047.76**
Add: Changes in accounting policies														
Correction of prior-period errors														
Others											-2,164,573,405.67	-2,164,573,405.67	-42,981,233.61	-2,121,592,172.06
II. Balance at the beginning of this year	**67,756,060,000.00**				87,308,284,402.26		1,314,377,201.69	94,161,439.89	758,955,766.57	20,377,351.10	4,379,921,124.19	161,632,137,285.70	99,482,474,590.00	261,114,611,875.70
III. Changes during this year ("-" for decreases)	**235,000,000.00**				15,122,367,780.96		-439,748,025.74	-55,294,299.09	20,312,279.11	65,589,605.59	-2,040,316,604.95	12,907,910,735.88	19,485,082,135.71	32,392,992,871.59
(1) Total comprehensive income							-439,748,025.74				-1,583,591,720.25	-2,023,339,745.99	3,761,087,353.61	1,737,747,607.62
(2) Capital contribution and reduction from shareholders	235,000,000.00				15,122,367,780.96							15,357,367,780.96	18,778,107,756.83	34,135,475,537.79
1. Common stock capital contribution from shareholders	235,000,000.00				10,027,467,100.00							**10,262,467,100.00**	3,338,780,369.71	13,601,247,469.71
2. Capital contribution from holders of other equity instruments													12,842,054,759.43	12,842,054,759.43
3. Equity increase from share-based payments														
4. Others					5,094,900,680.96							5,094,900,680.96	2,597,272,627.69	7,692,173,308.65
(3) Special reserves								-55,294,299.09				-55,294,299.09	-87,930,707.35	-143,225,006.44
1. Provision for special reserves								396,170,859.71				396,170,859.71	351,729,015.37	747,899,875.08
2. Utilisation of special reserves								-451,465,158.80				-451,465,158.80	-439,659,722.72	-891,124,881.52
(4) Profit appropriations									20,312,279.11	65,589,605.59	-456,724,884.70	-370,823,000.00	-2,966,182,267.38	-3,337,005,267.38
1. Appropriation to surplus reserves									20,312,279.11		-20,312,279.11			
Including: legal reserves									20,312,279.11		-20,312,279.11			
other reserves														
reserve fund														
reserve for business development														
profits capitalized on return of investment														
2. Appropriation to general risks provision										65,589,605.59	-65,589,605.59			
3. Appropriation to shareholders											-370,823,000.00	**-370,823,000.00**	-1,101,772,152.82	-1,472,595,152.82
4. Others													-1,864,410,114.56	-1,864,410,114.56
(5) Transfers within shareholders' equity														
1. Capitalisation of capital reserve														
2. Capitalisation of surplus reserve														
3. Loss offset by surplus reserve														
4. Transfer of defined benefits plan to retained earnings														
5. Other comprehensive income transfer the retained earnings														
6. Others														
IV. Balance at the end of this year	**67,991,060,000.00**				**102,430,652,183.22**		**874,629,175.95**	**38,867,140.80**	**779,268,045.68**	**85,966,956.69**	**2,339,604,519.24**	**174,540,048,021.58**	**118,967,556,725.71**	**293,507,604,747.29**

Legal Representative: 李清文印 510109576822O

Chief Financial Officer: 黄建琴

Head of Accounting Department:

Statement of Changes in Equity of the Company

For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd.

Unit: RMB Yuan

Item	2019										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equity	Perpetual Bonds	Others							
I. Balance at the end of last year	**67,991,060,000.00**				**52,148,601,217.36**		**47,866,690.49**		**321,297,490.73**	**199,047,273.51**	**120,707,872,672.09**
Add: Changes in accounting policies											
Correction of prior-period errors											
Others											
II. Balance at the beginning of this year	67,991,060,000.00				52,148,601,217.36		47,866,690.49		321,297,490.73	199,047,273.51	120,707,872,672.09
III. Changes during this year ("-" for decreases)	6,050,000,000.00				-3,360,528,751.62		-35,829,442.33		114,709,090.35	65,860,813.15	2,834,211,709.55
(1) Total comprehensive income							-35,829,442.33			1,147,090,903.50	1,111,261,461.17
(2) Capital contribution and reduction from shareholders	6,050,000,000.00				-3,360,528,751.62						2,689,471,248.38
1. Common stock capital contribution from shareholders	6,050,000,000.00				6,351,230,000.00						12,401,230,000.00
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
4. Others					-9,711,758,751.62						-9,711,758,751.62
(3) Special reserves											
1. Provision for special reserves											
2. Utilisation of special reserves											
(4) Profit appropriations									114,709,090.35	-1,081,230,090.35	**-966,521,000.00**
1. Appropriation to surplus reserves									114,709,090.35	-114,709,090.35	
Including: legal reserves									114,709,090.35	-114,709,090.35	
other reserves											
reserve fund											
reserve for business development											
profits capitalized on return of investment											
2. Appropriation to general risks provision										-966,521,000.00	**-966,521,000.00**
3. Appropriation to shareholders											
(5) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Transfer of defined benefits plan to retained earnings											
5. Other comprehensive income transfer the retained earnings											
6. Others											
IV. Balance at the end of this year	**74,041,060,000.00**				**48,788,072,465.74**		**12,037,248.16**		**436,006,581.08**	**264,908,086.66**	**123,542,084,381.64**

Legal Representative: 李文清 510109576822O

Chief Financial Officer:

Head of Accounting Department:

Statement of Changes in Equity of the Company (Continued)

For the year ended 2019

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equity	Perpetual bonds	Others							
I. Balance at the end of last year	67,756,060,000.00				37,253,937,867.52		198,969,537.12		300,985,211.62	399,300,413.57	105,909,253,029.83
Add: Changes in accounting policies											
Correction of prior period errors											
Others										-12,240,652.03	-12,240,652.03
II. Balance at the beginning of this year	67,756,060,000.00				37,253,937,867.52		198,969,537.12		300,985,211.62	387,059,761.54	105,897,012,377.80
III. Changes during this year ("-" for decreases)	235,000,000.00				14,894,663,349.84		-151,102,846.63		20,312,279.11	-188,012,488.03	14,810,860,294.29
(1) Total comprehensive income							-151,102,846.63			203,122,791.08	52,019,944.45
(2) Capital contribution and reduction from shareholders	235,000,000.00				14,894,663,349.84						15,129,663,349.84
1. Common stock capital contribution from shareholders	235,000,000.00				10,027,467,100.00						10,262,467,100.00
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
(3) Special reserves					4,867,196,249.84						4,867,196,249.84
1. Provision for special reserves											
2. Utilisation of special reserves											
(4) Profit appropriations											
1. Appropriation to surplus reserves									20,312,279.11	-391,135,279.11	-370,823,000.00
Including: legal reserves									20,312,279.11	-20,312,279.11	
other reserves									20,312,279.11	-20,312,279.11	
reserve fund											
reserve for business development											
profits capitalized on return of investment											
2. Appropriation to general risks provision											
3. Appropriation to shareholders										-370,823,000.00	-370,823,000.00
4. Others											
(5) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Transfer of defined benefits plan to retained earnings											
5. Other comprehensive income transfer the retained earnings											
6. Others											
IV. Balance at the end of year	**67,991,060,000.00**				**52,148,601,217.36**		**47,866,690.49**		**321,297,490.73**	**199,047,273.51**	**120,707,872,672.09**

Legal Representative: 李清文 S101095768220

Chief Financial Officer: 黄建琴

Head of Accounting Department: 广[illegible]

I. GENERAL INFORMATION

1. Registered address, organization form and headquarter address

Sichuan Development Holding Co., Ltd (hereinafter referred to as the ‘‘Company’’ or as the ‘‘Group’’ while including its subsidiaries) is a wholly stated-owned company which was incorporated in accordance with the Notice of Sichuan Provincial People’s Government Concerning the Incorporation of Sichuan Development Holding Co., Ltd (Chuan Fu Han [2008] No. 330). The Company obtained unified social credit code (NO. 915100006823936567) issued by Sichuan Provincial Administration for Industry and Commerce on November 29, 2017. The Company’s investor is Sichuan Provincial People’s Government and is represented by the State-Owned Assets Supervision and Administration Commission of Sichuan Province(hereinafter referred to as SASAC of Sichuan Province) in performing duties of the investor. The Company’s registered capital is RMB 80 billion, and the initial contribution is RMB 40 billion. According to the Chuan Fu Han [2008] No. 330 document, the initial contribution of RMB 40 billion consisted of net assets corresponding to the equities of such 21 entities as Sichuan Changjiang Group Corp, Chengdu Branch of China National Nonferrous Metal Industry Group, Sichuan Non-Ferrous Metallurgy Research Co., Ltd., Sichuan Foreign Trade Group Co., Ltd., Sichuan State-Owned Assets Investment Administrator Co., Ltd., Sichuan Railway Group Company Limited., Sichuan Road & Bridge Group Co., Ltd., Sichuan Hydropower Investment & Management Group Ltd., Sichuan Jinjiang Hotel, Sichuan Ethical Economy Development Corporation, Sichuan Airlines Group Co.,Ltd, Sichuan China International Travel Service, Sichuan Medicine Group Co., Ltd., Sichuan Xinhua Publishing Group Co., Ltd., Sichuan Salt Company, Sichuan Chengdu Integrated Timber Plant, Sichuan Publishing Group Co.,Ltd, Sichuan Port and Channel Development Co., Ltd., Sichuan Expressway Construction Development Corporation, Sichuan Jinhong Group Co., Ltd. and Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd. transferred by the ministries and commissions of Sichuan Province and the monetary fund of RMB 450 million allocated by the Department of Finance of Sichuan Province. The initial contribution of the Company was verified by Sichuan Huaheng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2009) No. 2 capital verification report.

In 2009, the capital contribution of the second installment of the Company was paid, with the paid-up capital increased by RMB 4,108,900,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 03 capital verification report..

In 2010, the capital contribution of third installment of the Company was paid, with the paid-up capital increased by RMB 2,135,100,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 10 capital verification report.

In 2012, the capital contribution of fourth installment of the Company was paid, with the paid-up capital increased by RMB 202,200,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2012) No. 24 capital verification report.

In 2013, the capital contribution of fifth installment of the Company was paid, with the paid-up capital increased by RMB 5,501,190,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2014) No. 06 capital verification report.

In 2013, according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd (Chuan Cai Jian [2013] No. 365), the company is appropriated RMB 500,000,000 of capital by Department of Finance of Sichuan Province. According to the 2012 Notice Concerning the Conveyance of operating budget of state own equity at province level (Chuan Cai Qi [2012] No. 18), the company is appropriated operating budgeted financial injection of RMB 117,070,000 for state own equity by Department of Finance of Sichuan Province.

In 2014, according to Notice Concerning the Conveyance of 2014 operating expenditure budget of state own equity (Chuan Guo Zi Budget [2014], No. 6), the Company is appropriated RMB 58,100,000 by Department of Finance of Sichuan Province.

In 2015, according to the Notice of Capital Contribution of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2015] No.2), issued by Department of Finance of Sichuan, the Company received the project funds of RMB 1,000,000,000.00 from Department of Finance of Sichuan. According to the Notice of Capital Contribution of Provincial Railway Investment Group (Chuan Cai Qi [2015] No.99), the Company received project funds of RMB 2,230,000,000.00 from Department of Finance of Sichuan. Pursuant to the requirement that the capital shall be paid in full in (2017) No 7 and (2012) No 38 Special Minutes of meetings, the capital transferred from special payables totaling RMB 2,951.00 million.

In 2016, according to the Notice of Registered Capital of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2016] No.42) issued by Sichuan Finance Department, the Company received the capital fund which was appropriated by Sichuan Finance Department. The Company received project capital fund of RMB 1,000,000,000.00 from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2016 (Chuan Cai Tou [2016] No.17) and (Chuan Cai Tou [2016] No.127). According to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2016 (Chuan Cai Jian(2016) No.33), the Company received capital fund RMB of 400,000,000.00 from Sichuan Finance Department. According to the Notice of Capital of Sichuan Development Holding Co., Ltd （Chuan CaiQi [2016] No. 63）, the Company received capital RMB 4,600,000,000.00.

In 2017, according to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2017 (Chuan Cai Jian(2017) No.22) the Company received capital fund RMB 500,000,000.00

from Sichuan Finance Department. The Company received project capital fund RMB 1,000,000,000.00 from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2017 (Chuan Cai Tou [2017] No.37). According to the Notice of Sichuan Finance Department on Appropriating Supplemental Capital to Provincial SOE (Chuan Cai Qi [2017] No.61), the Company received capital fund of RMB 502,000,000.00. According to the Notice of Sichuan Finance Department on Recovering Part of Industrial Development Supporting capital (Chuan CaiJian [2017] No.164), the Company refund part of the special fund of RMB 49,500,000.00. The fund has been verified by capital verification report in 2013, therefore, the paid-up capital has been written down of RMB 49,500,000.00 in 2017.

Pursuant to the Notice of Appropriating Supplementary Capital to Provincial Stated-owned Enterprises issued by Sichuan MOF in 2018 (Chuancaiqi [2018] No 75), the Company received RMB 235 million enterprise capital appropriating from Sichuan MOF.

Pursuant to the Notice On Issuing Special Funds For Railway Construction in 2019 (Chuancaiqi [2019] No 25, Chuancaiqi [2019] No 35, Chuancaiqi [2019] No 113) issued by Sichuan MOF, the Company received project capital fund amounted to RMB 4.5 billion. Pursuant to the Notice on Issuing the Capital Construction Expenditure Budget Within The Provincial Budget in 2019 (Chuancaiqi [2019] No 29) issued by Sichuan MOF, the Company received capital funds totaling RMB 1.5 billion. Pursuant to the Notice on Appropriation of Capital to Supplement the Paid-up Capital of Provincial Stated-Owned Enterprises issued by Sichuan MOF Chuancaiqi [2019] No 24, the Company received capital funds totaling RMB 50 million.

As of December 31, 2019, the Company's paid-up capital was RMB 74,041,060,000.00

The Company's registered address: No. 12, Jiuxing Avenue, Gaoxin District, Chengdu; its legal representative: Wang Fengchao.

2. Operation nature and main operation activities of the Company

The scope of business of the Company: investment, financing and assets operation and management. Priorities of investment: transportation, energy, water, travel, agriculture, development of advantageous resources, environmental protection and other areas authorized by the provincial government. (The above projects do not include pre-licensing program, post licensing program relied on license or approval documents).

3. Parent company and functional departments set up by Group headquarters

The Company's investor is people's Government of Sichuan Province. The Company established board of directors, board of supervisors, and other administration committees. There are three special committees under the board, the remuneration and appraisal committee, the strategy and project advisory committee and the risk control committee. The Company has such functional departments as the Party and mass department,

disciplinary inspection and supervision department, integrated management department, board of directors office, Party Committee organization department, financial department, the human resources department, the risk control department, compliance department, enterprise management department, the financing management department, the asset management department, the fund operating department, the investment promoting department, investment management department, and capital operation department.

The Group's main operating activities are: investment and financing, operation and construction of transportation facilities, trade, media and culture, generate and supply of electricity and others.

4. Financial Report approval

The Group's Financial Reports are approved by Company's board of directors on June 19, 2020.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Acting as a platform of investment and financing of Sichuan People's Government, the Company owns 100% equities of 21 state owned entities (after consolidated and transferred by SASAC of Sichuan Province, the number has reduced to 12 owned entities as of December 31, 2019). In accordance with the provisions of Chuan Fu Han [2008] No. 330 document and the Interim Measures of Sichuan Province for the Administration of Provincial-level Industry Investment Companies (Chuan Ban Fa [2008] No. 53),and Reply of Reorganizing Sichuan Development Holding Co., Ltd to State-owned Capital Operating Company by Government of Sichuan Province (Chuan Fu Han [2014] No.110),the Company manages the foregoing 21 entities and newly-established professional industry investment companies. To sufficiently reflect the financial positions, operating results and cash flow positions of the Group as the platform of investment and financing, and to benefit any users of the consolidated financial statements to make judgment on its overall financial conditions and profitability, the Group has included all of the foregoing entities in to the consolidation scope.

2. As mentioned in Note XIII-Other Significant Events (1), the roads of which its loans are repaid by the government (hereinafter referred to as government-loan road) built by Sichuan Expressway Construction and Development Corporation (hereinafter refers to as Sichuan Expressway Company), a subsidiary company of Sichuan Communications Investment Group Co., Ltd (hereinafter refers to as Sichuan Communications), were came into use from 2012. In 2013, in accordance with the spirit of the Toll Highway Administration Regulation and considering the management characteristics of the government-loan road, and with reference to the government-loan management mode of similar companies in other provinces, Sichuan Expressway Company's board of directors made a decision and filed the decision with SASAC of Sichuan Province that government-loan road for operating use shall not accumulate any depreciation. And the toll revenue shall be classified as operating revenue. These assets have a value of 133.401 billion as at the year ended December 31, 2019. The Financial Reports of Sichuan Expressway Company from 2014 to 2019 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants

(appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. Sichuan Expressway Company is one of the 21 subsidiaries mentioned above, and was merged into Sichuan Communications, and became a subsidiary of Sichuan Communications. The consolidated report of the Group is prepared based on the audited Financial Report of Sichuan Communications and no adjustments were made.

3. As mentioned in Note XIII-Other Significant Events (2), when Sichuan Railway Investment Group Co., Ltd (hereinafter refers to as Railway Investment Group) prepared the Financial Report of 2015, Railway Investment Group recognized escrowed assets of RMB 29.172 billion and classified as Other Non-current Assets on the financial statements. These escrowed assets include: constructions in process of Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway, long-term equity investments of Chenglan Railway, Chengyu Special Railway, Chengmianle Railway, financial assets available-for-sale of Chengkun Railway, Chenggui Railway, Xicheng Special Railway, Bada Railway, Chengya Railway and Lanyu Railway. As at December 31, 2019, the value of escrowed assets has increased to RMB 55.179 billion. BDO China Shu Lun Pan CPAs (appointed by State-Owned Assets Supervision and Administration Commission of Sichuan Province) Zhong Hui, Da Hua CPAs, and Xigema CPAs audited Railway Investment Group's Financial Reports of 2015-2019 and issued unqualified Financial Reports respectively. Railway Investment Group is one of the 21 entities mentioned above. The consolidated report of the Group is prepared based on the audited Financial Report of Railway Investment Group and no adjustments were made.

4. The Consolidated Financial Statements of the Group are prepared on the basis of continuous operation. The Group prepared the Consolidated Financial Statements based on the audited financial statements of its subsidiary companies, and the auditors are engaged by SASAC of Sichuan Province. If there are matters in relation to qualified auditor's opinion and correction of previous years accounting errors for the consolidated entities, the Group will evaluate the impact of those matters and make adjustments to the matters which would significantly influence the Groups' financials except the matters mentioned in the above II.(1),II.(2) and II(3).

Based on the principals mentioned above, the Group prepares the Financial Statements in accordance with Note III ''Principal accounting policies and accounting estimates'' and Note III (5)2 "Consolidated Financial Statement Preparation Standard, Procedure and Methodology".

III. CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Financial period

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

2. Functional currency

The Functional currency of the Group is RMB.

3. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets held for trading and available-for-sale financial assets which are measured at fair value, the financial statements are prepared under the historical cost.

4. Consolidation

As the consolidated party, the Group, on the consolidated date, accounts assets and liabilities from business combination under the same control as booked value on the consolidated financial statement. The difference between net assets acquired and the consideration is adjusted as capital reserve. Any addition exceed capital reserve is adjusted in retained earnings.

For a business combination for entities not under common control, acquired assets, liabilities and potential liabilities are accounted using fair value on acquisition date. Consolidated costs are the sum of cash consideration, non-cash asset, issued or guaranteed liabilities, issued equity, and any directly related expenditure for consolidation (for consolidation with multiple transactions by step, the consolidated costs are the sum of costs of all single transactions). When consolidated costs are higher than the acquired net assets, the difference is considered as Goodwill. When consolidated costs are lower than the acquired net assets, fair values of all acquired assets, liabilities and potential liabilities, and fair values of any non-cash assets or issued equity are double checked. After checked, if the consolidated costs are still lower than the acquired net asset, the difference is accounted as non-operating income.

5. Preparation of consolidated financial statements

(1) Scope of consolidation

The Group includes all controlling subsidiaries and structural entities into the scope of consolidated financial statements.

(2) Consolidated financial statements preparation standard, procedure and methodology

All-important internal transactions, internal balances, and unrealized gain are net off when preparing consolidated financial statements. Equity not belongs to parent company and net gain/loss for current period, minority interest of other comprehensive income and comprehensive income of subsidiaries are shown as "minority interest, minority interest, and other comprehensive income and comprehensive income belongs to minority owners" in consolidated financial statement.

For subsidiaries under common control, the operating results and cash flow are captured in consolidated statements from acquisition date. When preparing consolidated statements comparison, related items in prior year financial statement are adjusted as treating the consolidation existed since controlled by the ultimate controller.

When obtains invested party's shares under common control through multiple transactions and finally form consolidation, the control party is treated as current existed status from the date of control to adjust consolidated financial statements. When preparing statements comparison, restricted by the time the Group and consolidated party are under control of final control party, all related assets, liabilities are accounted in consolidated financial statement comparisons. And the additional net assets from consolidation are adjusted through related items under shareholders' equity. To avoid double accounted of net assets by consolidated party, any long term equity investment by the Group before consolidation, and a any confirmed related profit/loss between date of obtaining original shares and consolidated date, and other comprehensive income and other net asset movement should be reduced in brought forward retained earnings and profit and loss in current period in the comparison statements.

When consolidates and obtains subsidiaries not under common control, the Group includes the operating results and cash flow in consolidated statements from the date of obtaining control. All recognizable assets, liabilities or potential liabilities are adjusted to fair values based on subsidiaries' financial statement on the acquisition date when preparing consolidated financial statements.

When obtain invested party's share not under common control through multiple transactions and finally form consolidation, shares acquired before acquisition date are revalued by the fair value as on the acquisition date. Difference between fair value and book value is accounted in investment profit/loss in that period. Any related other comprehensive income and net profit and loss, any changes of shareholders' interest for acquired shares before acquisition date are all transferred as investment profit/loss in the acquisition period, except for other comprehensive income from revaluation of movement of net assets or net liabilities for benefit plan.

When the Group disposes part of the subsidiaries' share without losing control, the difference between disposed price and disposed long term equity investment related net assets from consolidated date is adjusted in capital premium or stock premium. When there is not enough capital reserve to reduce, retained earnings are adjusted.

When the Group disposes part of the subsidiaries' shares and losses control of invested party, when preparing consolidated financial statements, the remaining shares are revalued as the fair value at the date of losing control. The sum of disposed share prices and the fair value of remaining shares minus the proportion of net assets that acquired from consolidated date are accounted as investment profit/loss for period of losing control. In the same period, goodwill is reduced. On the period that loss control, all related other comprehensive income are transferred as investment profit/loss for that period.

When the Group disposes subsidiaries' shares till losing control through multiple transactions, and disposal transactions belong to package transaction, all transactions are treated and accounted for a package deal. However, before the Group losses control, difference between each disposal price and the corresponding share of net asset should be recognized as other comprehensive income in consolidated financial statement,

and then the difference should be.

6. Joint arrangements classification and Joint Operations accounting methodology

The Group's joint arrangements include joint operations and joint ventures. For joint operations, the Group, as a party of joint operation, recognized its share of assets and liabilities independently, recognized the assets and liabilities according to the shares, and recognized the revenue and expenses according to the relative arrangements or the shares. For acquisition and sale that not as part of operating asset transactions with joint operation, only gain/loss belongs to other party of joint operation should be recognized.

7. Standards for recognition of cash and cash equivalents

Cash on the cash flow of the Group refers to the cash and deposits which are available for payment at any time; the cash equivalents on the cash flow refers to the highly liquid investment that matured within 3 months, can be readily convertible to known amount of cash, and which are subject to an insignificant risk of change in value.

8. Foreign currency and translation of foreign currency statement

(1) Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalization. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into RMB at the rates prevailing on the date when the fair value was determined. Translation differences arising thereon are directly expensed as the change in fair value in the profit and loss for the current period. Nonmonetary items denominated in foreign currency measured at historical cost shall continue to be translated at the spot exchange rate at the date of transaction, and the translated amount in RMB should not be changed.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in foreign currency balance sheets are translated at the spot exchange rate of the balance sheet date; items of owners' equity, except for ''retained profits'', are translated at the spot exchange rate of the date of transaction; Items of revenues and expenses in profit statements are translated at the spot exchange rate of the date of transaction. Translation differences of foreign currency statements arising from the foregoing translations are separately presented under other comprehensive income in the owners' equity. Foreign currency cash flows are translated at the spot exchange rate of the date of cash flow. Amounts of cash affected by fluctuations in exchange rates are separately presented in the statements of cash flow.

9. Customers’ funds for transaction settlement

Customers’ funds for transaction settlement received by the Group are placed in the special account with the depository bank and subject to separate management from equity funds. Amounts from clearing and settlement of funds for securities transactions of proxy customers are placed in the clearing agency designated for the transactions and subject to accounting in the provision for settlement. The Company recognizes the amount for trading in securities by proxy customers as assets and liabilities when such amount was received. Brokerage, securities management fee, securities settlement risk fund and other relevant charges paid in accordance with regulations are recognized as commission expenses when clearing is carried out with the clearing agency in respect of amount for trading in securities by proxy customers of the Company. Commissions collected from customers according to regulations are recognized as commission revenue when clearing of amount for trading in securities is carried out with customers.

10. Financial assets and financial liabilities

The Group's listed companies have implemented the new financial instrument standards since January 1, 2019, while other companies have not yet implemented.

The following are applied to old financial instruments

(1) Financial assets

The Group recognizes its financial assets or financial liabilities when the Group becomes one party of a financial instrument contract.

① Classification and measurement of financial assets

Financial assets of the Group are classified as financial assets at fair value through profit or loss for the current period, held-to-maturity investments, loans and receivables, and available-for-sale financial assets according to the purposes of investments and the economic substance of the assets.

Financial assets accounted using fair value, whose movement is accounted in profit and loss accounts include trading financial assets and financial assets which determined using fair value from recognized, whose movement is accounted in profit and loss account. The Group classifies financial assets as trading financial assets according to one of the following criteria: purpose for obtaining this financial asset is for short term sale; financial asset belongs to part of the recognizable financial vehicle combination which is centrally managed while there is objective evidence showing the company is to manage the combination using short term beneficial method; financial assets belong to derivative vehicle except for effective hedging instrument derivative vehicle, financial guarantee contract derivative vehicle, and derivative vehicles that related to equity vehicle investment without quoted price on active market or without reliable fair value. The Group only uses fair value to account when financial assets were first recognized and account movement into profit and loss account when one of the following criteria is met: the criteria can eliminate or reduce

the situation when recognizing or measuring the financial instruments are different due to the related income or loss resulting from difference measurement basis; the official written documents of company's risk management or investment strategy have stated that the financial instrument combination is managed and measured at fair value, and is reported to key management personnel; for the hybrid instruments with one or more imbedded derivatives, unless the imbedded derivatives do not have significant influence on the cash flows of the hybrid instrument, or the imbedded derivatives obviously should not be separated from the hybrid instrument; including hybrid instrument with imbedded derivatives which are needed to be separated, but cannot be measured separately on the acquisition date or subsequent balance sheet dates.

Held to maturity investment are non-derivative financial asset with fixed maturity and fixed or determinable recovery amounts that management intends and is able to hold to maturity. Held to maturity investments are accounted using actual interest rates, and accounted based on the remaining amortized costs. The amortization, impairment, and any profit/loss from termination are accounted in profit and loss account in current period.

Receivable means non-derivative financial assets with fixed or confirmable receivable amount that have no quoted prices in active market. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized balance, impairment, and profit/loss from termination are accounted in profit and loss in current period.

Financial assets held for sale means non-derivative financial assets and financial assets that have not classified as other class that refer as held for sale when first recognized. For these assets, when there is no quoted price in active market and the fair value cannot be reliably measured, historical costs method is used for subsequent account. For other assets with quoted price in active market or have reliable measured fair value, fair value method is used for accounting. The movement of fair value is accounted in other comprehensive income. Other than impairment losses and the gain or loss on exchange arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. When such financial assets are derecognized, the accumulated amounts of changes in fair value originally recorded in equity are recorded in the profit or loss for the current period. Interests calculated on available-for-sale debt instruments using the effective interest method for the period in which the instruments are held and cash dividends which have been declared by the invested entity in relation to available-for-sale equity instruments are recognized in the profit or loss for the current period as investment income. For those investment without active markets and the fair value is impossible to be measured, historical cost is used as accounted value.

②Recognition and measurement of financial assets

A financial asset meeting any one of the following conditions is derecognized: (1) the contractual right to receive the cash flow of such financial asset terminates; (2) such financial asset has been transferred and the Group has transferred almost all risks and rewards on the ownership of such financial asset to the transferee;

(3) such financial asset has been transferred and the Group waived the control over such financial asset though it did not transfer or reserve almost all risks and remunerations on the ownership of such financial asset.

If the entity does not transfer or reserve almost all risks and remunerations on the ownership of a financial asset nor waive the control over such financial asset, relevant financial asset is recognized according to the degree of its continuous involvement in the financial asset transferred and relevant liabilities are recognized accordingly.

If the overall transfer of a financial asset meets the conditions for derecognition, the difference between the carrying value of the financial asset transferred and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income is recorded in the profit or loss for the current period.

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying value of the financial asset transferred is amortized at respective relative fair value between the part derecognized and the part not derecognized, and the difference between the foregoing carrying amount amortized and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income which should be amortized to the part derecognized is recorded in the profit or loss for the current period.

③Impairment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Group assesses the carrying amount of financial assets at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

④When there is a significant or prolonged decline in fair value of available-for-sale financial assets, accumulated loss in fair value that previously recorded in shareholder’s equity due to the decline in fair value should be recorded as impairment loss. In respect of available-for-sale debt instruments for which impairment loss has been recognized, if the fair value rises after the end of the period and such rise is objectively related to the matters occurring after the recognition of original impairment loss, impairment loss previously recognized should be written back and recorded in the profit or loss for the current period. Rise in fair value of available-for-sale equity instruments for which impairment loss has been recognized after the end of the period is directly recorded in shareholders’ equity.

(2) Financial liabilities

① Classification and measurement of financial liabilities

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and those designated at fair value through profit or loss for the current period on initial recognition. They are subsequently measured at fair value. The gain or loss on changes in fair value, and dividends and interest expense in relation to such financial liabilities are charged to the profit or loss for the current period as incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. If there is an active market for a financial instrument, its fair value is determined using the market price in such active market. In the active market, financial assets already held or financial liabilities to be assumed by the Group take the current bid price as the fair value of corresponding assets or liabilities; financial assets to be purchased or financial liabilities already assumed by the Group take the current offering price as the fair value of corresponding assets or liabilities. If a financial asset or financial liability has no current bid price or offering price, but no significant change happens to the economic environment after the last date of transaction, the fair value of such financial asset or financial liability is determined using the market price of the last transaction. When the economic environment changes significantly after the last date of transaction, the market price of the last transaction is adjusted with reference to the current price or interest rate of similar financial assets or financial liabilities so as to determine the fair value of such financial asset or financial liability. If the Group has sufficient evidence indicating that the market price of the last transaction is not the fair value, appropriate adjustment is made to the market price of the last transaction so as to determine the fair value of such financial asset or financial liability.

② Derecognizing financial liabilities

A financial liability is derecognized or partially derecognized when the underlying present obligations (or part of it) are discharged. When the company enters into an agreement with the creditor to replacing the existing financial liability with a new one, and the terms of the new financial liability is substantially different from that of the existing one, derecognizing the existing financial liability and recognizing the new one. When the company substantially amends the all or part of the terms of existing financial liability, it derecognises the all or part of the existing financial liability and recognizing the amended financial liability as a new one. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the profit or loss for the current period.

(3) Method of determining the fair value of financial assets and financial liabilities

The Group mainly uses market value to measure fair value of financial assets and liabilities. For those without any primary market, the Group uses the most favorable market value to measure the fair value of financial assets and liabilities, and uses the most appropriate and sufficient available data and other information to support the estimation. There are three levels of estimation of fair value. The first level balance is the unadjusted quoted price for similar assets and liabilities from active market. The second level balance is the direct or indirect observable value for related assets or liabilities besides from level 1. The

third level balance is the unobservable value for related assets or liabilities. The Group priority uses the first level and finally uses the third level. The hierarchy of the measurement of the fair value is determined by the lowest level of information inputs.

The following are applied to the new financial instruments

(1) Financial assets

① Classification, recognition and measurement of financial assets

Based on the business model for financial asset management and the contractual cash flow characteristics of financial assets, the Group classifies the financial assets as: (1) financial assets measured at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The Group classifies financial assets that satisfy the following conditions as financial assets measured at amortized cost: 1. The Group's business model for financial asset management aims to receive contractual cash flows. 2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. The amortized cost is used for subsequent measurement. The interest income of such financial assets is recognized using the effective interest method. Except for those items designated as hedged items, the difference between the initial amount and the due amount is amortized according to the effective interest rate method.

The Group classifies financial assets that satisfy the following conditions as financial assets measured at measured at fair value through other comprehensive income: 1. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 2. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, in addition to credit impairment losses or gains, exchange gains and losses and the interest on the financial assets calculated according to the actual interest rate method, other gains or losses incurred are included in other comprehensive income. When financial assets are derecognized, the cumulative gains or losses previously included in other comprehensive income should be transferred out of other comprehensive income and included in the current profit and loss.

The Group recognizes interest income in accordance with the effective interest rate method. Interest income is calculated and determined based on the financial asset book balance multiplied by the he effective interest rate, except for the following:

a) For a financial asset acquired or generated with credit impairment, the interest income is calculated and determined according to the amortized cost of the financial asset and the credit-adjusted actual interest rate from the initial recognition.

b) For a financial asset acquired or generated without credit impairment, but which becomes a credit impairment in the subsequent period, the interest income of the financial asset shall be determined according to the amortized cost and the actual interest rate of the financial asset in the subsequent period.

The Group's investment in equity instrument held for non-trading purpose has been designated as financial asset at fair value through other comprehensive income. That classification shall be applied retrospectively. After the Group's investment in equity instrument held for non-trading purpose has been designated as financial asset at fair value through other comprehensive income, the economic benefits related to dividend income are recognized and accounted in the profit and loss of the current period and the changes in fair value of such financial asset will be recognized in other comprehensive income. When derecognition, the amount that had been recognized directly in other comprehensive income, is recognized in retained earnings.

Financial instruments not classified as financial assets measured at amortized cost or at fair value through other comprehensive income are presented as financial assets at fair value through profit or loss by the Group. For such financial instruments measured at fair value, the changes in fair value will be recognized in profit or loss in the current period. Such financial assets are initially measured at fair value and the relevant transaction costs are included in the initial recognition amount. For such financial instruments measured at fair value, the changes in fair value will be recognized in profit or loss in the current period.

contingent consideration recognized by an acquirer in a business combination not under common control shall recognize as financial assets at fair value through profit or loss.

② Recognition and measurement of transfer of financial asset

The Group shall derecognize a financial asset when one of following criteria is met:

a) the contractual rights to the cash flows from the financial asset expire, or

b) it transfers the almost all risks and awards of ownership of the financial asset, or

c) the financial assets has been transferred, the Group neither transfers or retains almost all risks and awards of ownership of the financial asset nor retains the control of the financial assets.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income shall be included in the profit and loss of the current period.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period.

(2) Financial liabilities

① Classification, recognition and measurement of financial assets

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose and financial liabilities designated as measured at fair value through profit and loss of the current period. Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arising from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

Other financial liabilities measured at effective interest rate method and subsequently measured at amortized cost. Except for the following conditions, the Group classifies financial liabilities as those measured at amortized cost:

a) Financial liabilities measured at fair value through profit or loss, including those held for trading (containing derivatives) and financial liabilities designated as those measured at fair value through profit or loss with changes of fair values recorded to the current profit or loss.

b) Financial liabilities that do not meet the derecognition criteria of financial assets or arisen from continuing to be involved in the financial assets transferred.

c) Financial guarantee contracts that do not belong to a) or b) and loan commitments with lower than market loan rate that do not belong to a).

The Group recognize the financial liabilities arising from the contingent consideration by the acquirer in the business combination not under common control as financial liabilities measured at fair value with changes through profit or loss.

② Derecognition requirements for financial liabilities

When all or part of the current obligation of a financial liability has been discharged, the part of the financial liability or obligation that has been discharged shall be derecognized. The Group and the creditors signed an agreement to replace the existing financial liabilities by taking on new financial liabilities mentioning that if the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the existing financial liabilities shall be derecognized and in the meantime the new financial liabilities shall be recognized. If the Group makes substantial changes to all or part of the contractual terms of the existing financial liabilities, it will derecognize the existing financial liabilities fully or partially, and at the same time recognize the financial liabilities with the revised terms as a new financial liability. The difference between the book value of the derecognized part and the consideration paid is included in the current profit and loss.

(3) Approaches for recognizing the fair value of financial assets and financial liabilities

Where there is an active trading market, the fair value of the financial assets and financial liabilities is determined by reference to the quoted price in the active trading market by the Group. Where there is no active trading market for the financial instruments, the fair value of such financial instruments is determined at the most favorable market price, and using valuation techniques that are applicable at the time and are supported by sufficient data and other information. The input value used in fair value measurement is divided into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within level that are observable for the asset or liability, either directly or indirectly and level 3 inputs are unobservable inputs for the asset or liability. The Group gives the most priority to the use of level 1 inputs and the last priority to the use of level 3 inputs. The level of the measurement result of fair value is determined by the lowest level of the input value that is of great significance to the whole measurement of fair value.

The Group's investment in equity instruments is measured at fair value. However, in limited circumstances, considering that the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, if the cost represents the best estimate of fair value within this range, then the cost can be used to represent its appropriate estimates of fair value within this distribution.

(4) Offset between financial assets and financial liabilities

Financial assets and financial liabilities of the Group shall be listed on the balance sheet separately that cannot offset each other. However, if the following conditions are met, financial assets and financial liabilities can be offset and listed in the balance sheet with the net amounts:

1) The Group has the legal rights to offset the amounts recognized and such rights are currently enforceable.

2) The Group plans to settle on a net basis, or realize the financial assets and liquidate the financial liabilities at the same time.

(5) The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes between financial liabilities and equity instruments according to the following principles:

1) If the Group cannot unconditionally avoid delivering cash or other financial assets to fulfill a contractual obligation, the contractual obligation meets the definition of financial liability. Although some financial instruments do not explicitly contain the terms and conditions of the obligation to deliver cash or other financial assets, it is possible to form contractual obligations indirectly through other terms and conditions.

2) If a financial instrument needs to be settled with or the Group's own equity instruments can be used, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are utilized as a substitute for cash or other financial assets or to make the instrument holder enjoy the remaining equity in the assets of the issuer after deducting all liabilities. If it is the former, the instrument is recognized as a financial liability. If it is the latter, the instrument is recognized as an equity instrument. In some cases, a financial instrument contract stipulates that the Group must use or can use its own equity instruments to settle the financial instrument. If the amount of contract rights or contract obligations is equal to the number of own equity instruments available or to be delivered, multiplied by their fair value at the time of settlement, the contract is classified as a financial liability, whether the amount mentioned above is fixed or based entirely or partly on changes in variables other than the market price of the Group’s own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument).

When the Group classifies financial instruments (or its components) in the consolidated statements, it considers all the terms and conditions reached between the group members and the financial instrument holders. If the entire Group assumes the obligation to deliver cash, other financial assets, or other means of settlement as a financial liability due to the instrument, the instrument should be classified as a financial liability.

If a financial instrument or its component is a financial liability, the relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are included in the current profit and loss.

If a financial instrument or its component part is an equity instrument, the Group treats it as a change in equity when issuing (including refinancing), repurchasing, selling, or canceling, and does not recognize the change in the fair value of equity instruments.

11. Provision for bad debts for receivables

(1). The provisions for bad debts for receivables without adopting new financial instrument standards

Criteria for provision for bad debts: The Group provides provisions for bad debts on receivables when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended their businesses due to natural disaster and unable to settle the debts in the foreseeable period; or the receivables are defaulted for more than 3 years; or when there is objective evidence indicating that the debts cannot be recovered or are not likely to be recovered.

Potential loss on bad debts is provided for using allowance account method. At the end of the period, receivables are tested for impairment on individual or combination basis and the provisions for bad debts are recognized in the profit or loss for the current period. When there is objective evidence indicating that the receivables cannot be collected, such receivables are written off against the provisions for bad debts as losses on bad debts after granting of approval by the Group according to the required procedures.

1) Receivables that are individually significant and are provided for bad debts on individual basis

Judgment basis or amount standard for individually significant receivables	Receivables of more than RMB100 million are regarded as individually significant receivables
Method for making provision for bad debts for individually significant receivables for which provision for bad debts is made individually	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

2) Receivables provided for bad debts on combination basis

Basis for determining combinations	
Receivable vehicle toll combination	Determine by nature of the receivables
Receivable construction in-progress deposit combination	Determine by nature of the receivables
Receivable entrusted loan and interest combination	Determine by nature of the receivables
Aging combination	Determine the credit risk characteristics by age of the receivables

Receivable related party combination	Determine by the relationships of receivables with the parties to transaction
Provision combination	Determine by nature of the receivables
Methods for making provision for bad debts by combination	
Receivable toll combination	No provision for bad debts is made
Receivable construction in-progress deposit combination	No provision for bad debts is made
Receivable entrusted loan and interest combination	No provision for bad debts is made
Aging combination	Aging analysis
Receivable related party combination	No provision for bad debts is made in general. Provision for impairment is made using specific identification method in case of existence of impairment risk
Provision combination	No provision for bad debts is made

Proportion of provisions for bad debts on receivables by aging analysis basis adopted by the Group is as follows:

Age	Proportion to accounts receivable (%)	Proportion to other receivables (%)
Within 1 year	1-5	1-5
1-2 years	10-20	10-20
2-3 years	20-30	20-30
3-4 years	40-50	40-50
4-5 years	60-70	60-70
Over 5 years	80-100	80-100

Energy Investment Group， Railway Investment Group, Communication Investment Group made no provisions for the receivables within 6 months.

3) Receivables that are individually insignificant but are provided for bad debts on individual basis

Cause for making provision for bad debts individually	Receivables which of the amount are individually insignificant and the credit risk characteristics of provision made cannot be reflected on combination basis.
Method for making provision for bad debts	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

2. The provisions for bad debts for receivables adopting new financial instrument standards

For accounts receivable formed by the transactions regulated by *Accounting Standards for Business Enterprises No. 14-Revenue Standards* and not containing significant financing components, the Group always makes provision for credit loss equivalent to the expected credit losses for the entire duration.

For the provisions for bad debts for receivables, whether the credit risks have increased significantly, the

Group makes provision for credit losses according to expected credit losses equivalent to the amounts within the entire duration.

12. Inventories

Inventories of the Group mainly include raw materials, self-made semi-finished products and products in process, merchandise inventory, revolving materials, engineering construction, developed products and low-value consumables.

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. The publishing industry adopts single-book accounting and specific valuation method for book-keeping; the hotel industry adopts first-in first-out method for accounting.

At the end of the period, inventories are stated at the lower of costs and net realizable value. Where the inventories are not expected to be recoverable as they become damaged, partially or wholly obsolete or whose selling price is well below its cost, provisions for inventory impairment are made for the excess of its cost over its net realizable value. Provisions for inventory impairment are made for merchandise inventory and bulk raw materials according to the excess of the cost of single inventory item over its net realizable value; provisions for inventory impairment are made for other raw and auxiliary materials of large quantity and low unit price according to categories.

Net realizable value of such available-for-sale goods inventory as merchandise inventory, products in process and available-for-sale materials is determined by the estimated selling price less estimated selling expenses and related taxes. Net realizable value of material inventory held for production is determined by the estimated selling price of finished products less estimated cost incurred upon completion, estimated selling expenses and related taxes.

13. Long-term equity investment

(1) Determination of control, joint control and significant influence of invested company

The Group’s Long-term equity investments mainly include equity investments held by the Group in the invested company over which the Group has control, joint control or significant influence and equity investments in its operating activities.

"Control" means the Group has the right to participate related activities of the invested party to gain return, and has the ability to use the right to affect the returned amount.

"Joint Control" represents a contractual agreed common control over an economic activity. Joint agreement needs to be achieved to decide any arranged related activities. Joint arrangement means any arrangement

participated by two or more joint control parties. Joint venture means the joint operating party only has the right to arrange the net assets in the joint operating activities.

"Significant Influence" exists when a party has the power to participate in the decision making of the invested company's financial and operating policies, but is not able to have control or have joint control with other parties over the formulation of these policies. The determinant evidence for significant influence is that company has representative in the invested party's board or related organ of authority to implement significant influence through financial and operating decision. The Group directly or indirectly (through its subsidiary) owns 20% (inclusive) or more but less than 50% of shares with voting rights in the invested company. Significant influence cannot be established where there is explicit evidence indicating that the Group is unable to participate in the decision-making of the operating policy in the invested company. To decide if it has significant influence, the Group consider direct and indirect holding of invested company's ordinary share, and consider any effects from shareholdings with potential voting right. The Group also considers the influence on any executable potential voting rights held by the Group and other parties for current period, such as issued exchangeable warrants, options and exchangeable debts.

(2) Confirmation, subsequent measurement and measurement of long-term equity investment

For consolidation price as by cash, by transferring non-cash assets or guarantee liability, the invested party's equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party's consolidated financial statement. The difference between original investment cost of long term equity investment and the book value of cash paid, non-cash assets transferred, and liability guaranteed is adjusted through share premium in capital reserve. When there is not enough share premiums, the difference is adjusted through retained earnings.

For consolidation price as by equity issued, the invested party's equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party's consolidated financial statement. Based on the nominal value when issued as capital, the difference between the original investment cost for long term equity investment and par value of issued equity is adjusted through share premium in capital reserve. When share premium is not enough, the difference is adjusted through retained earnings.

For company consolidation not under common control: company use confirmed consolidated cost on acquisition date as original investment cost for long term equity investment.

The agency fee such as audit, legal, and estimation advisory for consolidation and other related management fee are accounted in profit and loss account in that period. The trading fee of equity and debt issued for consolidation is accounted as part of the original confirmed balance in equity or debt security.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment, the investment cost is based on the actual amount

of cash paid for the acquisition. For long-term equity investment acquired by issuing equity securities, the investment cost is the fair value of the equity securities issued. For long-term equity investment invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring and exchange of nonmonetary assets, the investment cost is determined according to the relevant accounting standards.

The Group measured the long-term equity investments in controlling investee at cost method; the investments in mutual office and co-operating are measured under the equity method.

Under the cost method, long-term equity investments are measured at its initial investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. Invested company announces the allocated profit or cash dividend as investment return.

Under the equity method, the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is not adjusted in the initial investment cost of the long-term equity investment; the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is recognized in the profit and loss in the current period, and the cost of long-term equity investment is adjusted. After acquiring the long-term investment, in accordance with the share of the net profit or loss and other comprehensive income of the investee, investment income or other comprehensive income is recognized respectively, and the book value of long-term equity investment is adjusted as well; the investor shall reduce the book value of long-term equity investment according to the profit distribution or cash dividend disclosed by the investee; the investor shall adjust the book value of long-term equity investment and recognize the amount in the owner's equity, if there is movement on shareholders' equity of investee other than net profit or loss, other comprehensive income or profit distribution. When recognizing the share of net profit or loss of the investee, adjusting the net profit of the investee using the fair value of the realizable net asset of the investee on the acquisition date as basis and according to the account policies and accounting periods of the Group; and offsetting shares of unrealized profit or loss of internal trading between the Group and its associates and joint ventures in order to recognize investment income.

(3) Changes in long-term equity investment

For long-term equity investments which result investor to have joint control over or significant effect on the investee due to additional investment and other reasons, the sum of fair value of the initial equity investment which classified as financial asset held-for-sale and the additional investment cost is the initial investment cost after changing the investment to be measured under equity method. The fair value and the book value of the initial equity investment, along with the accumulated changes of fair value which was recognized under other comprehensive income are allocated in the profit and loss of that period when changes are made.

If the initial investment cost as calculated above is higher than the share of the identifiable net assets of the investee on the date when additional investment is provided, the book value of the long-term equity is not adjusted; if the initial investment cost as calculated above is lower than the share of the identifiable net assets of the investee on the date when additional investment is provided, the difference is adjusted in the book value of the long-term equity and is recognized in the non-operating income in the current period.

For long-term equity investments which result investor to control over investee which does not under the same control due to additional investment and other reasons, the initial investment cost of the long-term equity investment after changing the investment to be measured under cost method is the sum of the book value of the initial investment and the additional investment cost when preparing individual Financial Reports. If other comprehensive income was recognized before the acquisition date due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when disposing such investment. If the equity investment which was classified as financial asset available-for-sale before the acquisition date, the accumulated fair value changes that is recognized in other comprehensive income shall be allocated to the profit and loss of the period when cost method is adopted.

For long-term equity investments which result investor to no longer have joint control over or significant effect on the investee due to disposal of investment and other reasons, the Group shall recognize the difference between the fair value of the investment on that disposal date and its book value in the profit and loss of the current period if residual investment is classified as financial asset available-for-sale. If other comprehensive income was recognized due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when equity method is no longer adopted.

For long-term equity investments which result investor to loss control over investee due to disposal of investment and other reasons, when preparing individual Financial Reports , equity method shall be adopted if the residual investment enables the investor to have joint control over or significant effect on the investee, and adjustments shall be made as if the equity method for the residual investment was adopted since acquisition; for residual investment which does not enable the investor to have joint control over or significant effect on the investee, and classified as financial asset available-for-sale, the difference between the fair value and the book value on the date when control was lost is recognized in the profit and loss in the current period.

(4) Disposal of long-term equity investment

On disposal of long-term equity investments, the difference between the carrying value of a long-term equity investments and the actual consideration received is recognized as investment income for the current period. For long-term equity investments accounted for using equity method, when disposal, the proportion that

originally accounted in other comprehensive income is now adjusted based on the standard of the same as disposal of related assets or liabilities by invested party directly.

14. Investment properties

Investment properties of the Group include land use rights leased, land use rights held for transfer after appreciation and buildings leased.

Investment properties of the Group are measured at cost. The cost for investment properties purchased from outsiders includes purchase price, related taxes and other expenses directly related to the assets. The cost of investment properties constructed by the Group includes the required construction expenses incurred to bring the assets to the condition of intended use.

Investment properties of the Group are subsequently measured using the cost model. Provision for depreciation or amortization is made according to their estimated useful life and net residual value rate. Estimated useful life and net residual value rate of investment properties are as follows:

Category	**Depreciation period (years)**	**Estimated residual value rate (%)**
Land use right	Amortized by the useful life of land	0
Housing and building	20-55	3-10

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognized on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or damaged the proceeds from disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

15. Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rending services, leasing or operation and management and have useful lives of more than one year with unit value more than RMB2,000.00. A fixed asset which simultaneously meets the following conditions is recognized: economic benefit contained in such fixed asset is likely to flow into the entity; cost of such fixed asset can be measured reliably.

Fixed assets consist of roads and structures, railway tracks, security and surveillance facilities, buildings, plant and machinery, transportation equipment, land, office equipment and others. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes

purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of its fair value and the present value of the minimum lease payment at the date of inception of the lease.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses and renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

Depreciation is provided for all fixed assets and lands measured individually, except for the fixed assets that are fully depreciated and remain in use and land that is separately valuated and recorded.

(1) Depreciation is provided for toll roads in the transportation industry and such construction equipment as bridge girder erecting machine, drill, mixing plant, spreading machine and road mixing machine in the building industry using working capacity method.

Depreciation is provided for roads and structures in the transportation industry for a period of 30-50 years using traffic method, with no residual value reserved. No-Operation Toll Highway is not depreciated.

Depreciation is provided for construction equipment in the building industry using working capacity method. The estimated working capacity and estimated residual value rate are as follows:

Equipment	**Nature**	**Estimated working capacity**	**Estimated residual value rate**
1. Asphalt mixing plant, asphalt spreading machine and special supporting equipment for asphalt concrete road construction.	Made in China	900,000 t	5%
	Imported	1,400,000 t	5%
2. Concrete mixing plant, slip form spreading machine and special supporting equipment for cement concrete road construction.	Made in China	300,000 m^3	5%
	Imported	500,000 m^3	5%
3. Bridge girder erecting machine	Made in China	1000 working days	5%
4. Tower crane.	Made in China	2400 working days	5%
5. Drill	Made in China	720 working days	5%
	Imported	1200 working days	5%

Equipment	Nature	Estimated working capacity	Estimated residual value rate
6. Joint stone crusher and cold mixer	Made in China	1440 working days	5%

(2) Net residual value rate, method of depreciation and useful life of categories of railway track system in the transportation industry are as follows:

Category of assets	Useful life	Method of depreciation	Net residual value rate
Rolling stock	20 years	Working capacity method	4%
Container	5 years	Straight-line method	4%
Track			
Wherein: Subgrade	100 years	Straight-line method	0%
Crossing	45 years	Straight-line method	1%
Bridge	65 years	Straight-line method	2.5%
Other bridge and culvert projects	45 years	Straight-line method	1%
Tunnel	80 years	Straight-line method	4%
Culvert	55 years	Straight-line method	1%
Shelter forest	45 years	Straight-line method	1%
Track isolation network	15 years	Straight-line method	2.5%
Steel rail, sleeper and ballast		No depreciation	
Signal equipment	8 years	Straight-line method	4%
Housing and building			
Wherein: general buildings	40 years	Straight-line method	4%
Buildings for production subject to corrosion	25 years	Straight-line method	4%
Buildings for production subject to strong corrosion	15 years	Straight-line method	4%
Makeshift buildings	10 years	Straight-line method	4%
Building	25 years	Straight-line method	4%
Mechanical and power equipment	20 years	Straight-line method	4%
Transportation and starting equipment	12 years	Straight-line method	4%
Transmission equipment	25 years	Straight-line method	4%
Electrical power supply equipment	10 years	Straight-line method	4%
Instruments and meters	12 years	Straight-line method	4%
Tools and appliances	10 years	Straight-line method	4%
Information technology equipment	10 years	Straight-line method	4%

(3) Except for (1) and (2) above, useful life and estimated residual value rate of fixed assets of the Group are as follows:

No.	Category	Useful life	Estimated residual value rate
1	Housing and building	20-55 years	3-10%
2	Wherein: makeshift buildings	8-20 years	3-10%
3	Plant and machinery	5-30 years	3-10%
4	Vehicles	3-15 years	3-10%
5	Office equipment and other	3-15 years	3-10%

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

A fixed asset is derecognized on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

16. Construction in progress

Construction in progress is measured at cost actually incurred. A construction project carried out by the Group is measured at direct materials, direct wages and direct cost of construction; a construction project contracted out is measured at project price payable; cost of an equipment installation project is determined by such expenses incurred as value of equipment installed, installation cost and project commissioning fee. Cost of construction in progress also includes borrowing costs which should be capitalized and gain or loss arising from exchange.

From the date when the construction in process is available for expected use, fixed assets are carried forward at estimated value according to construction budget, pricing or actual cost of construction project. Depreciation is provided for from the next month. Difference in original value of fixed assets is adjusted after the completion of formalities of final accounts for completion of construction.

17. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference arising from foreign currency borrowings. When expenditures for assets and borrowing costs are being incurred, activities relating to the acquisition, construction or production of those assets that are necessary to prepare the assets for their intended use or sale have commenced, borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalized. Capitalization of borrowing costs shall cease when the assets under acquisition, construction or product is ready for its intended use or sale. Other borrowing costs shall be recognized as expenses for the current period.

The amount of interest of specific borrowings occurred for the period shall be capitalized after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalization period; The capitalized amount of general borrowings shall be determined at the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

Assets eligible for capitalization represent the fixed assets, investment property and inventories, etc, which shall take a long time (generally over 1 year) for acquisition, construction or production to be ready for its intended uses or sales.

When an asset eligible for capitalization is interrupted abnormally and the suspending period lasts more than 3 months during acquisition, construction or production, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production of such assets resume.

18. Intangible assets

Intangible assets of the Group, including land use rights, highway operation rights, patented technology, non-patented technology, software, mining rights and BOT assets are recognized at actual cost at the time of acquisition. The actual cost of the purchased intangible assets is measured at the actual payment and other related expenses. The actual cost of intangible asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements. In case where the agreed consideration of the contracts or agreements is not justified, the assets are measured at fair value.

Land use rights are evenly amortized over their lease terms from the date of transfer. Patented technology, non-patented technology and other intangible assets are evenly amortized on the basis of the shortest of their estimated useful lives, the number of beneficial years as stipulated by contract and the valid term required by law. Amortization amount is included in the cost of related assets and profit or loss for the current period based on the beneficiary of the assets. The mining right of Tianrui Mining is amortized by using working capacity method.

The estimated useful lives and amortization method of intangible assets with finite useful lives are re-assessed at the end of each financial year. Any changes will be dealt with as changes on accounting estimates. The estimated useful lives of intangible assets with indefinite useful lives are reviewed in each accounting period. Where there is objective evidence to prove that the useful life of an intangible asset is finite, the Company shall estimate the useful life and amortize that intangible asset over its estimated useful life.

19. Research and development

Research and development expenses of the Group are classified as research expenses and development expenses according to their nature and the certainty over research and development activities' final

formation of intangible assets. Research expenses are recognized in the profit or loss for the current period when they are incurred; development expenses which simultaneously meet the following conditions are recognized as intangible assets:

(1) It is technically feasible to complete such intangible assets so as to enable the use or sale thereof;

(2) There is the intent to complete and use or sell such intangible assets;

(3) Products produced by such intangible assets have market or such intangible assets themselves have market;

(4) There is sufficient technical, financial and other resources to complete the development of such intangible assets and such intangible assets are able to be used or sold;

(5) Expenses attributable to the development of such intangible assets can be reliably measured.

Development expenses which fail to meet the foregoing conditions are recognized in the profit or loss for the current period when they are incurred. Development expenses which have been previously recognized in the profit or loss are not recognized as assets for periods thereafter. Development expenses already capitalized are recognized as development expenses in the balance sheet and translated to intangible assets from the date when such project is available for expected use.

20. Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures such as decoration cost and road and bridge renovation cost, which have incurred but shall be amortized over the current period and subsequent periods of more than 1 year (excluding 1 year). They are amortized evenly over the estimated beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the profit or loss for the period.

21. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group’s entitlement to or acquisition of (through the business combination) interest in the fair value of the net identifiable assets of the invested company or the acquire at the date of acquisition or combination. Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates and jointly controlled entities is included in the carrying amount of the long-term equity investment.

22. Impairment of long-term non-financial assets

As of each balance sheet date, the Group assesses whether there is any sign indicating that the long-term equity investments, fixed assets, construction in progress and intangible assets with finite useful lives may be impaired. If there is any sign indicating that an asset may be impaired, the asset will be tested for

impairment. Goodwill arising in a business combination and an intangible asset with indefinite useful lives are tested for impairment annually, irrespective of whether there is any sign to indicating that the asset may be impaired. When it is impossible to make the impairment test on the recoverable amount of an individual asset, the impairment test should be made on the basis of the corresponding assets combination or the combination of group assets belongs to.

After the test of impairment, if the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss. Once an impairment loss on the assets is recognized, it will not be reversed in subsequent periods. The recoverable amount of an asset is the higher of the net of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

The signs of impairment are as follows:

(1) The current market price of an asset declines substantially, exceeding obviously the expected decline caused by time changes or normal application;

(2) There are significant changes in the economic, technical or legal environment in which the enterprise operates and in the market where the asset is located in the current period or near future, resulting in adverse impacts on the enterprise;

(3) The market interest rate or rate of return of other market investment has increased in the period, affecting the discount rate used by an enterprise for the calculation of the present value of the asset estimated future cash flow which results in a substantial decline in the recoverable amount of the assets;

(4) There is evidence to demonstrate that the asset has already gone obsolete or its entity has already been damaged;

(5) The asset has already been or will be left idle, ceased to be used, or planned to be disposed in advance;

(6) There is evidence from the internal reports demonstrating that the economic returns of asset, such as the net cash flows generated by asset or operating profit (or loss) realized by asset, are much lower (higher) than that as expected;

(7) Any other sign indicates that the value of an asset may have already been impaired.

23. Payroll

The payroll of the Group refers to remuneration and compensation offered by the Group when receiving services from its employees or terminating the employment, including: short-term payroll, post-employment benefit, resignation benefit and other long-term employee benefit. The benefits offered by the Group to the employees' spouse, children, dependent, family members of deceased employees and other beneficiaries.

(1). Short-term payroll refers to payrolls which will be paid in full no later than 12 months after the period in which employees render their services, except for compensation for termination of employment. The Group's short-term payroll includes salaries, bonus, allowances and subsidies, staff benefits, medical insurance premiums, labor injury insurance, maternity insurance and other social security insurances, housing fund, union fund and staff education fund, short-term paid absences, short-term profit distribution plans, non-monetary benefits and others.

The Group recognizes payroll payables as liabilities during the accounting period in which employees render their services and allocates it to related cost of assets and expenses based on the beneficiaries of the services. Non-monetary benefits are measured in its fair value.

(2). Post-employment benefit refers to variety of remuneration and compensation offered by the Group after receiving services from its employees or terminating the employment. Those belong to short-term payroll and resignation benefits are not included here.

The defined contribution plan of the Group is to pay basic pension insurance, unemployment insurance and annuity etc. according to relevant regulations of local government. During the period in which employees render their services, the amount payable is calculated in accordance with the required pay base and percentage, which is recognized as a liability and recorded into the current profit and loss or relevant asset cost.

The Group establishes annuity, and the funds are paid by the Group as well as the employees. The amount paid by the Group is 5% of the total salaries of last year and is allocated to the cost of the Group. The amount paid by individual employees is 5% of the pay base of this year's basic pension insurance, and is withheld and paid by the Group from their salaries.

According to the formula obtained by using projected unit credit method, the Group allocates the benefit resulted from the defined benefit plan to the periods when employees render services, and allocates it to profit and loss of the current period or related cost of assets. The deflect or surplus is the present value of define benefit plan obligation less the fair value of plan assets which is recognized as a net defined benefit liability or asset. When the surplus exists, the net defined benefit asset is the lower of the surplus and asset cap of the defined benefit plan.

All the define benefit plan obligation, including obligation paid within 12 months after the end of reporting period when employees rendering their services, the Group should discount the income according to the balance sheet date and the term of define benefit plan obligation, the income of bond with matching currency or high-quality corporation debenture.

The service cost of defined benefit plan and the net interest of net defined benefit liability or asset should be allocated it to profit and loss of the current period or related cost of assets; the re-measurement of net

defined benefit liability or asset is recognized in the other comprehensive income and will not be reclassified to profit and loss.

On the settlement date of the define benefit plan, income or loss is recognized according to the difference between the present value of define benefit plan obligation and settlement price.

(3). Resignation benefit is the compensation offered when the Group terminates the employment with an employee before the expiry of the employment contract or provides compensation for acceptance of voluntary redundancy. For employees who have not terminate their employment contract, but will not render their services or bring any future economic benefits to the Group, the Group commits to provide compensation with properties of resignation benefit. In any case of early retirement, the Group should offer resignation benefit before the official date of retirement, and post-employment benefit should be offered after that date.

When the Group is not allowed to unilaterally withdraw the termination plan or the redundancy offer, the estimated liability for compensation arising from the termination of employment with employees should be charged to the profit or loss for the current period, and is recognized at the earlier date of the confirmation time of the related cost or expense.

For resignation benefits which are expected to unable to paid in full during the reporting period or after 12 months of that period, for those resignation which will be completed within one year but compensation will be paid over one year, the Group should choose appropriate discount rate to calculate and recognize the discounted resignation benefit amount in the profit and loss of the current period.

(4). Other long-term employee benefits are the benefits other than short-term payroll, post-employment benefit and resignation benefit, and including long-term paid absences, long-term disability benefit, long-term profit distribution plan and so on.

When the long-term employee benefits offered by the Group meet the conditions of defined contribution plan, the accounting treatment of defined contribution plan is applied. When the long-term employee benefits offered by the Group meet the conditions of defined benefit plan, the relevant regulations are applied, and net liability and net asset of other long-term employee benefit are recognized and measured. At the end of reporting period, the Group discloses the payroll cost of other long-term employee benefit into two components: service costs; net interest of net liability or net asset of other long-term employee benefit. The net amount should be recognized in the profit and loss in the period or related cost of assets.

24. Share-based payment

Share-based payment refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees or other parties. Share-based payment consists of equity-settled share-based payments and cash-settled share-based payments.

The equity-settled share-based payments in return for employee services are measured at the fair value of the equity instruments granted to employees on the grant date. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then the amount of such fair value should, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses using the straight-line method during the vesting period and the capital reserves should be increased accordingly.

A cash-settled share-based payment is measured in accordance with the fair value of liability confirmed based on the shares or other equity instruments undertaken by the Group. If the right may be exercised immediately after the grant, the fair value of the liability undertaken is, on the grant date, included in the relevant costs or expenses, and the liabilities are increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period, based on the best estimate of the information about the exercisable right, are included in the relevant costs or expenses at the fair value of the liability undertaken by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each year end date prior to the settlement of the relevant liabilities, the fair value of the liabilities is re-measured and changes are included in the profit or loss for the current period.

25. Bonds payable

Bonds payable of the Group are measured at fair value on initial recognition, and relevant transaction costs are included in initially recognized amount. They are subsequently measured at amortized cost.

Difference between payment price of bonds and aggregate nominal value of bonds is recognized as bond premium or discount and is amortized on provision for interest over the duration of bonds using the effective interest method and treated according to the principles for treatment of borrowing costs.

26. Provisions

The business related to such contingencies as external guarantee, trade acceptance discount, pending action or arbitration and product quality assurance which simultaneously meets the following conditions is recognized by the Group as a liability: such obligation is a current obligation assumed by the Group; the performance of such obligation may result in the flow of economic benefit out of the enterprise; the amount of such obligation can be measured reliably.

Provisions are initially measured based on the best estimate of expenditures necessary for the performance of relevant current obligations and in overall consideration of such factors relating to contingencies as risk, uncertainty and time value of money. If the time value of money has significant influence, the best estimate is determined after relevant future cash outflows are discounted. The carrying amount of provisions is

reviewed on each balance sheet date. In case of any change, the carrying amount is adjusted to present the current best estimate.

27. Principle of the recognition of revenue

(1). The recognition of revenue adopting old revenue standards issued by MOF in 2006

The operating incomes of the Group are generated mainly from toll in the transportation industry, revenue from sale of commodities, rendering services, construction contracts, BT or BOT project financing, assignment of assets use rights, agency commission and brokerage. The principles of revenue recognition are as follows:

1) Revenue from toll in the transportation industry: revenue from toll collected by the online toll system of Sichuan Province is taken as the realization of operating income after being confirmed by the Expressway Monitoring and Settlement Center of Sichuan Communications Department through clearing and settlement.

2) Revenue from sale of commodities: when main risks and rewards of ownership of a commodity have been transferred to the buyer, the Group no longer exercises the right of continuous management and effective control associated with the ownership in respect of such commodity, economic benefits relating to the transaction are able to flow into the enterprise and relevant revenue and costs can be reliably measured, the realization of the revenue from sales of commodities is recognized.

3) Revenue from rendering services: when the total revenue and the total cost of services can be reliably measured, the economic benefit relating to provision of services is likely to flow into the Group, and the results of services can be reliably determined, the realization of the service revenue is recognized. On the balance sheet date, if the results of transaction of rendering services can be reliably estimated, relevant service revenue is recognized using the percentage-of-completion method, and the percentage of completion is determined according to the proportion of cost incurred to the estimated total cost; if the results of transaction of rendering services cannot be reliably estimated and the cost of service incurred is expected to be compensated, revenue from provision of services is recognized in the amount of cost of services which is incurred and can be compensated, and cost of services incurred is carried forward; if the results of transaction of rendering services cannot be reliably estimated and the cost of services incurred is unlikely to be compensated at all, cost of services incurred is recorded in the profit and loss for the current period and the service income is not recognized.

4) Revenue from BT or BOT project financing: in the case of a project where public infrastructure is constructed by means of BOT (build-operate-transfer) or BT (build-transfer) and charges are not collected from the public but reimbursed by the government after operation, cost of construction incurred and financing interest are recognized in long-term receivables. In respect of government repayment plan as contracted, the gain which should be recognized is calculated using the effective interest method. In case of any significant difference between the government’s reimbursement actually received and the repayment

plan stipulated, effective interest rate is adjusted according to the actual situation and the repayment plan modified and the gain which should be recognized is re-calculated.

5) Revenue from assignment of right to use of assets: if economic benefits relating to a transaction can flow in and the amount of revenue can be reliably measured, the realization of revenue is recognized according to such time and method as stipulated by relevant contracts and agreements.

6) Revenue from securities companies: commission revenue from trading in securities on behalf of customers is recognized as revenue on the date of securities transaction; commission revenue from redemption of securities as an agent is recognized as revenue when relevant services provided for redemption of securities are completed; commission income from custody of securities as an agent is recognized as revenue when custody services are completed; in case of balance underwriting and sales by proxy, revenue is recognized when relevant services provided for underwriting business are completed.

(2). The recognition of revenue adopting new revenue standards issued by MOF in 2018

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the relative proportion of stand-alone selling prices of goods or services promised in single performance obligation and the revenue shall be recognized in accordance with the relative proportion of stand-alone selling prices.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to customer, excluding amounts collected on behalf of third parties. Refund liability are recognized if the Group receives consideration from customers and expected to refund to customers and the consideration is not included in the transaction price. If there is a significant financing component in the contract, the Group determines the transaction price according to the amount payable in cash when the customer obtains the control right of goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. On the start date of the contract, if the Group expects that the interval between the customer's acquisition of control over goods or services and the customer's payment of the price is no more than one year, the significant financing components in the contract will not be considered.

The Group satisfies a performance obligation over time, if one of the following criteria is met, otherwise the the Group satisfies a performance obligation at a point in time:

1) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the entity performs; or

2) the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3) the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

For the performance obligation over time, the Group adopts the input method to determine performance schedules, namely according to the Group’s input into the performance of contractual obligations. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred and recognize the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For the performance obligation at a point in time, the Group recognizes the revenue at a point in time at which a customer obtains control of a promised asset. To determines the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the Group shall consider the following requirements for control:

1). The Group has a present right to payment for the asset

2). The customer has legal title to the asset

3). The Group has transferred physical possession of the asset

4). The customer has the significant risks and rewards of ownership of the asset

5). The customer has accepted the asset

The Group’s right to receive consideration for the transfer of goods to its customers is listed as contract assets. The provisions for the contract assets are based on the expected credit losses method. The Group's unconditional right to receive consideration from customers is listed as receivables. A contract liability is presented in the balance sheet where an amount of consideration has been received or is receivable by the Group.

28. Construction contracts

The Group recognizes contractual revenues and contractual expenses using the percentage-of-completion method on the balance sheet date when total contractual revenues can be reliably measured, economic benefits relating to contracts are likely to flow into the Group, contractual costs incurred can be clearly distinguished and reliably measured, and the progress of contract completion and costs necessary for the completion of contracts can be reliably determined. When the percentage-of-completion method is adopted, the progress of contract completion is determined according to the proportion of the contracted working capacity completed to the estimated total working capacity of the contract.

When results of a construction contract cannot be reliably estimated, if contract cost can be recovered, contract revenue is recognized according to the actual contract cost which can be recovered, and contract cost is recognized as an expense for the current period; if contract cost cannot be recovered, contract cost is recognized as an expense immediately after it is incurred and no revenue is recognized.

The Group checks construction contracts at the end of period. If the estimated total cost of construction contracts will exceed the estimated total revenue of construction contracts, provision is made for loss and estimated loss is recognized as an expense for the current period.

29. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained reliably, it should be measured at nominal amount (1RMB).

(1) Judgment basis and accounting treatment method of government grants related to assets

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets.

A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss in a reasonable and systematic manner within the useful life of the relevant assets. Government grant measured at a nominal amount is recognized directly in profit or loss for the current period.

If the relevant assets are sold, transferred, scrapped or damaged before the end of their service life, the balance of the relevant deferred income that has not been allocated shall be transferred into the asset disposal income for the current period.

(2) Judgment basis and accounting treatment method of government grants related to assets

Government grants related to income are government grants other than government grants related to assets.

A grant that compensates the Group for expenses or losses to be incurred in the future is recognized initially as deferred income, and recognized in profit or loss in the period in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses already incurred is recognized to profit or loss.

Government grants related to daily activities are recognized in other income or written down the related cost and expenses according to the nature of business activities. Government grants related to non-daily activities are recognized in non-operating income or expenses.

For the government grants that include the asset related part and the income related part at the same time, different parts shall be distinguished for accounting treatment respectively. If it is difficult to distinguish, it shall be classified as the income related government grants as a whole.

30. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and deferred income tax liabilities of the Group are recognized based on the differences between the tax bases of assets and liabilities and their respective book values (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized. As of the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period in which the assets are realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognized to the extent that it is probable that taxable profit will be available to the Group to offset such deductible temporary difference. With regard to the deferred tax assets that have already been confirmed, if it is anticipated that no future taxable profits will be available to offset the deferred income tax assets, the carrying value of the deferred income tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount so reduced will be reversed.

31. Leases

The following are applied to old Lease Standard issued by MOF in 2006

Leases are classified as finance leases and operating leases at the date of inception by the Group.

Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. The Group, as a lessee, recognized the assets under finance lease at the inception of the leases at the lower of their fair value and the present value of minimum lease payments. The corresponding liability is recorded as ‘‘long-term payable’’ at the amount of minimum lease payments. Their difference is recorded as unrecognized finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lessee, recognized lease payments as a cost of an assets or an expense on a straight-line basis over the terms of the relevant lease. The Group, as a lessor, recognized lease payments as rental income on a straight-line basis over the terms of the relevant lease.

The following are applied to new Lease Standard issued by MOF in 2018

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

For contracts entered into initial application, the Group assesses whether a contract is or contains a lease at inception date. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether the customer has both of the following: the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

1) the Group as lessee

The Group recognizes right-of-use assets and lease liability at the commencement date of the lease.

right-of-use assets are initially measured at cost. This cost includes: the initial measurement amount of the lease liabilities; any lease payments made at or before the commencement date (less the relevant amount of any lease incentives received); any initial direct costs incurred by the Group; an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group depreciated the right-of-use assets by straight-line method. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated over the remaining useful life. Otherwise, right-of-use assets are depreciated over the shorter of its remaining useful life and the lease term.

Lease liabilities are initially measured at present value of the residual lease payment at the commencement date of lease, and implicit interest rate is applied as the discount rate of the lease. If the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate will be adopted as discount rate.

The Group calculates the interest expense of the lease liabilities for each period of the lease term based on a fixed periodic interest rate, and recognized in profit or loss for the current period or the costs of the relevant asset. Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss or related asset costs when incurred.

After the commencement date of the lease, the Group re-measures the lease liabilities by discounting the present value of revised lease payments using a revised discount rate: there is a change in the assessment of exercise of a purchase option, renewal option, termination option; lease term has changed because of the changes between actual exercise and the original assessment of exercise of a purchase option, renewal option, termination option; the expected lease payments under a guaranteed residual value or the index or rate determining the lease payments change.

When re-measures the lease liabilities, the Group adjusted carrying amount of the right-of-use assets corresponding. If the right-of-use assets are reduced to zero and the lease liabilities are still need to reduce, the Group will recognize the residual amount into gains and losses in the current period.

The Group elects not to recognize the right-of-use assets and lease liabilities for short-term leases (a lease term of 12 months or less) and low-value asset leases. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

2) the Group as lessor

On the commencement date of the lease, the Group classifies the lease as finance lease and operating lease. Lease that transfers substantially almost all the risks and rewards incidental to ownership of an lease asset is a finance lease. An operating lease is a lease other than a finance lease.

When the Group is a sublessee, subleases are classified based on the right-of-use assets generated from the original lease, rather than the underlying assets of the original lease. If the original lease is a short-term lease and the Group chooses to simplify the above short-term lease, the Group classifies the sublease as an operating lease

On the commencement date of the lease, the Group recognizes financial lease receivables and derecognizes the finance lease assets. On the commencement date of the lease, the Group adopts the net lease investment as the recorded value of the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of outstanding lease payments at the commencement date of the lease which are discounted using the interest rate implicit in the lease.

Interest income in each period during the lease term are calculated and recognized by the Group using the fixed periodic rate of interest. Variable lease payments that are not included in the measurement of net lease investments are recognized in profit or loss for the current period as incurred.

Under operating leases, in each period of the lease term, the Group adopts the straight-line method (or other systematic and reasonable method) to recognize the lease receipts of operating leases as rental income. The initial direct expenses related to operating leases shall be capitalized and amortized on the same basis as the rental income during the lease term, and shall be included in the current profits and losses by stages. The variable lease payments not included in the lease receipts shall be included in the current profits and losses when they are actually incurred

32. Accounting for income tax

Income tax is accounted by using the balance sheet liability method. Income tax expenses represent the sum of current income tax and deferred income tax. Current income tax and deferred income tax in connection with the transactions and matters that are directly recorded in shareholders' equity are dealt with in shareholders' equity. Deferred income tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current income tax and deferred income tax are recognized in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognized using the balance sheet liabilities method at the end of the period and their balances originally recognized.

33. Assets held-for-sale

The Group classifies non-current assets as assets held-for-sale when they meet following requirements: 1) the Group has made a resolution on disposal of the non-current assets; 2) the Group has already made an irrevocably transfer agreement with the acquiring party; 3) the transfer agreement is likely to be completed within one year. Assets held-for-sale includes individual assets and disposal groups. Disposal groups refer to a group of assets which are sold or disposed in other ways as a whole, and the directly related liabilities of these assets are transferred in the translation. Disposal groups usually are a group of asset group, an asset group or a part of some asset group.

For fixed assets, the Group adjusts the expected residual value of the fixed assets when recognizing them as assets held-for-sale to reflect the difference between their fair value and disposal expenses, as long as the amount is not higher than the book value of the fixed assets. If the original book value is higher than the adjusted residual value, the difference is recognized as impairment loss and allocated in the profit and loss in the current period. The fixed assets which are held-for-sale will not be depreciated, and are measured according to the book value and the fair value less disposal expense.

When an asset or disposal group classified as held-for-sale no longer meet the recognition criteria, the Group should stop classifying it as asset held-for-sale and measure it at the lower of the following: the book value of the asset or disposal group before classified as held-for-sale, and adjusting for depreciation, amortization or impairment as if it was not recognized as asset held-for-sale; the recoverable amount at the date when the asset or disposal group is not holding for sale.

The intangible assets, long-term equity investment and other non-current assets which meet the recognition criteria should be treated in accordance with the stated principle.

34. Fair value measurement

(1). Fair value at initial recognition

For assets and liabilities measured at fair value, the Group considers factors specific to the asset or liability and defines the price that would be paid to acquire the asset or received to assume the liability in an orderly transition between market participants at the measurement date as fair value. When calculating related assets and liabilities measured with fair value, the transaction of market participants selling assets or transferring liabilities on the measurement day is an orderly transaction under the current market conditions. The transaction should be completed in the principle markets of the assets and liabilities; the transaction should be completed in the most advantageous market if they do not have any principle markets; assuming the market participants try to maximize their economic benefits when pricing the assets or liabilities. When measuring non-financial assets, the Group should consider the ability to generate economic benefits by the market participants with the highest and best use of the asset, or the ability to generate economic benefits for selling the asset to other market participants with the highest and best use of the asset.

(2). Valuation techniques

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The valuation techniques mainly include market approach, income approach and cost approach. When applying valuation techniques, relevant observable inputs should be used prioritized, unobservable inputs should only be used when relevant observable inputs cannot be obtained.

(3). Fair value hierarchy

The Group determines the level of fair value measurement results according to the lowest level described in the input values of great significance as a whole: level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The active market is the market which has the greatest volume and level of activity for the asset or liability; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

35. Accounting treatment for financial asset transfer and non-financial asset securitization business

When financial assets are transferred, judgments should be made according to whether substantially all risks and rewards of the ownership of the financial assets are transferred to another party: if all the risks and rewards are transferred, the related financial assets should be derecognized; the financial asset should not be derecognized if the asset is not transferred and substantially all the risks and rewards are not transferred; if the asset is not transferred and substantially all the risks and rewards are transferred, the Group shall determine whether to derecognized the asset in accordance with the extent to which the financial asset is controlled: derecognize the financial asset if the asset is not controlled by the Group; if the control is sustained, related financial assets as well as related financial liability should be recognized according to the extent of continuously involvement of the financial asset. The difference between consideration received

and the book value of the financial assets shall be allocated into profit and loss in the current period when the financial assets meet the derecognition criteria. The accumulated fair value movement of financial assets which was recognized in the equity should be reallocated into profit and loss in the current period; if part of the derecognition criteria is met, splitting the book value of the total transfer asset according to their fair value of the derecognized part and the other part, pro data, using the divided book value in contrast to the whole assets, and treating the transferred part. The consideration shall be recognized as financial liability if the asset does not meet the derecognition criteria.

36. Segment information

Segments of the Group are identified and segment information is disclosed in its financial statements based on industry sectors.

37. Discontinued operations

Discontinued operation refers to a component which has been disposed of or held for sale and can be separately distinguished on operation and preparation of financial statements. Such component will be disposed in whole or part as scheduled.

A component which simultaneously meets the following conditions is held for sale: a resolution has been made on the disposal of such component, an irrevocable transfer agreement has been entered into with the transferee, and such transfer will be completed in one year.

IV. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes in accounting policies and their effect

1) According to the report issued by *Ministry of Finance of the People's Republic of China* in 2017, *CAS 22- Confirmation and measurement of financial instruments*, *CAS 23- Transfer of financial assets*, *CAS 24- Hedge Accounting*, *CAS 37- Presentation of financial instruments*. (The above four standards are referred to as "new financial instrument standards"). The report stipulates that it will be implemented on January 1, 2019, and the corresponding accounting policies will be changed.

① The impact on the consolidated balance sheet on January 1, 2019 is listed as follows:

Item	**Balance sheet**		
	December 31, 2018	**The influence of new financial instrument standards**	**January 1, 2019**
Available-for-sale financial assets	32,490,309,909.23	-2,568,380,927.99	29,921,928,981.24

Item	Balance sheet		
	December 31, 2018	The influence of new financial instrument standards	January 1, 2019
Other debt investments		2,016,268,350.06	2,016,268,350.06
Other non-current financial assets		552,112,577.93	552,112,577.93

2) The group prepared the interim financial statements and subsequent financial statements in accordance with Notice of Revised Format of Financial Statements for General Business Enterprises for 2019 (Cai kuai [2019] No.6, the "Cai kuai No.6 Document")

① The impact on the consolidated balance sheet on January 1, 2019 is listed as follows:

Old presentation items and amounts of reports		New presentation items and amounts of reports	
Notes & Accounts receivables	22,151,299,394.60	Notes receivables	737,921,953.99
		Accounts receivables	21,413,377,440.61
Notes & Accounts payables	45,279,599,844.92	Notes payables	1,932,348,205.60
		Accounts payables	43,347,251,639.32

3) According to the newly revised guidelines issued by *Ministry of Finance of the People's Republic of China* in 2019, *CAS 7- non-monetary assets exchange* (Cai kuai[2019]No.8) and *CAS 12-Debt Restructuring* (Cai kuai [2019]No.9). The newly revised guidelines stipulate that it will be implemented on January 1, 2019, and the corresponding accounting policies will be changed.

4) Sichuan Expressway Co., the subsidiary of Communication Group, Winshare Co., the subsidiary of Xinhua Group, have adopted the Accounting Standards for Business Enterprises No. 21 – Lease amended by the MOF in 2018 since 1 January 2019.

1 The impact on the consolidated balance sheet on January 1, 2019 is listed as follows:

Item	Balance sheet		
	December 31, 2018	The influence of new lease standards	January 1, 2019
Prepayments	8,076,456,006.36	-3,328,764.26	8,073,127,242.10
Right-of-use assets		293,592,507.28	293,592,507.28
Long-term deferred expenses	1,041,669,171.72	-3,308,296.24	1,038,360,875.48

Non-current liabilities due within one year	48,202,219,108.90	56,654,446.29	48,258,873,555.19
Lease liabilities		230,301,000.49	230,301,000.49

5) Some of the subsidiaries of the Group has adopted the he Accounting Standards for Business Enterprises No. 14 – Revenue amended by the MOF in 2017 since 1 January 2019.

Item	Balance sheet		
	December 31, 2018	The influence of new revenue standards	January 1, 2019
Advances from customers	12,864,841,367.63	-368,307,911.85	12,496,533,455.78
Other current liabilities	8,878,747,937.09	-12,782,898.02	8,865,965,039.07
Contract liabilities		381,090,809.87	381,090,809.87

2. Changes in accounting estimates and their effect

There is no change in accounting estimates during the period.

3. Correction of errors of prior periods and their effect

There is no correction of errors during the period.

4. Adjustment of figures at the beginning of period due to changes in scope of consolidation

There is no adjustment of figures at the beginning of period due to changes in scope of consolidation

V. TAXATION

Main tax categories and tax rates applicable to the Group are as follows:

1. Value added tax (“VAT”)

General taxpayers are subject to VAT on sales of goods, import of goods and provision of VAT taxable services at the rate of 6%, 13% ,and 16%, and small-scale taxpayers are subject to VAT on sales of goods and provision of taxable services at the rate of 3%, the export products shall implement the policy of exemption, deduction and refund.

(1). In accordance with the stipulation in Notice of Tax Benefits List of Resource Comprehensive Utilization of Products and Services (Cai Shui [2015] No.78) printed by MOF and State Administration of Taxation, Zigong Energy Investment Western Environmental Protection Power Generation Co., Ltd, Everbright Environmental Energy (Suining) Co., Ltd, Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd, the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoy 100% of VAT rebate of power generation income, enjoy 70% of VAT rebate of garbage disposal income.

Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd enjoy 70% tax retreat.

(2). In accordance with Stipulation of Experimental Transition from Business Tax to Value-added Tax (Cai Shui [2016] No.36), children care and education services provided by Sichuan Energy Investment Ruijia Property Co., Ltd., one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoy VAT tax free benefit.

(3) In accordance with the stipulation of Notice about Problems in Promoting the Development of VAT, Business Tax and Corporate Income Tax policy in Energy Saving Industry (Cai Shui [2010] No.110), the contractual energy management projects of Energy saving company, transferring to energy using companies is VAT tax free. Chengdu GENL Investment Co., Ltd. Sichuan Energy Investment Bozhong Intelligent Lighting Investment Co., Ltd which are the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. obtained the notice of tax issues (Cheng Gao Guo Shui Tong No.510198141208407) from National Tax Bureau of Chengdu High-tech Zone. The contractual energy management projects are VAT non-taxable, the benefit period is from January 1, 2015 to December 31, 2021.

(4) According to the Notice about Entire Implementation of Experimental Transition from Business Tax to VAT of the Ministry of Finance and State Administration of Taxation (Cai Shui [2016] No.3 Appendix Article I No.11),The tickets revenue of Sichuan Ludi Bridge New City Culture Travel Co., Ltd. which is a subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. is non-taxable of VAT, it obtained the Taxpayer Tax Reduction and Exemption Registration Form which was approved by National Tax Bureau of Ludi of Ganzi State on July 7,2016 to permanent.

(5). In accordance with Guo Shui Han [2009] No.591, the rural grids maintenance income from selling of electronic power will be exempt from VAT. Sichuan-Hydropower-Investment &Management Group Ltd. the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. enjoyed exemption of VAT.

(6).In accordance with Cai Shui [2013] No.106, approved by People’s Bank of China, China Securities Regulatory Commission, and Commerce Department, the tangible property lease service provided by general taxpayer which is one of the experimental taxpayer in financial leasing industry, which part the actual tax burden of VAT over 3% enjoyed tax refund after taxing benefit of VAT. Sichuan Jinshi Leasing Co., Ltd. is one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoys the VAT preferential policy mentioned above.

(7). In accordance with the Circular on VAT Additional Deduction Policy Concerning Life Service Industry (Cai Shui[2019] No. 87), Guang'an Qianfeng Energy Investment Everbright Sanitation Service Co., Ltd, Nayong Chuanneng Environmental Engineering Co., Ltd Sichuan Hengsheng Tianjie Environmental Management Co., Ltd, the subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd., enjoy the the current deductible input tax plus 15% deduction policy from October 1, 2019 to December 31, 2021

(8). In accordance with the Circular on Continued Implementation of the Preferential VAT Tax and Business Tax Policies for Culture Industry (Cai Shui[2018] No.53) issued by the Ministry of Finance and State Administration of Taxation of the people's Republic China: ① the VAT of publications will be fully taxed and return later or 50% taxed and return later in accordance with the category it belongs to in the publishing process, and the implementing period starting from 1 January 2018 to 31 December 2020 ②the wholesale and retail of books will be tax free during the period between 1 January 2018 and 31 December 2020, Xinhua Group enjoyed this preferential tax policy in the business of wholesale and retail of books.

(9). The airline food revenue of subsidiaries Sichuan Airlines LSG Catering Co., Ltd. and Sichuan Airlines Chongqing Airport Catering Co., Ltd. consolidated into the scope of Sichuan Airlines Group Co. Ltd is applied to VAT, The output value added tax rate of domestic products is 17%, and its input tax of purchasing raw materials can be deducted from output tax. Besides food provide for oversea airlines is applicable for the policy of exemption, deduction and refund. The VAT of maintenance services provided by Sichuan Airlines krater Engineering Technology Co., Ltd. and Sichuan aircraft maintenance engineering Co., Ltd. consolidated into the scope of Sichuan Airlines Group Co. Ltd, which part that the actual tax burden is over 6% enjoys the tax refund after taxing policy.

(10). In accordance with Aircraft Maintenance VAT issued by MOF and State Administration of Taxation (Cai Shui [2000] No. 102), the Company has implemented the policy of immediate collection and refund by the tax authorities for the part of the actual tax burden of value-added tax on aircraft maintenance services exceeding 6% since January 1, 2000. Sichuan Aircraft Maintenance Co., Sichuan Airline Keruite Co., the subsidiaries of Sichuan Airline Group, implemented tax retreat policy for the actual tax burden exceeding 6%.

(11). In accordance with Cai Shui [2013] No.106, The international goods transportation agency services provided by experimental taxpayer are non-taxable of VAT. From October 1, 2016 to September 30, 2019, the international goods agency business of Sichuan Luzhou Port Supply Chain Management Co., Ltd. which is one of subsidiaries of Sichuan Luzhou Port Co., Ltd. owned by Port Channel Company is VAT exempted after registered in National Tax Bureau of Long Ma Tan District of Luzhou of Sichuan.

(12). Pursuant to Catalogue of Preferential VAT for Products that Comprehensively Utilize Resource and Service (Cai Shui [2015] No. 78) issued by the Ministry of Finance and State Administration of Taxation, the taxpayer that sells products that comprehensively utilize resource and provides services that comprehensively utilize resource can enjoy tax retreat preferential policy. Sewage treatment business of Xingwen Drainage Company, Jiang'an Drainage Company, Meishan Drainage Company, Southern Drainage Company, Ya'an Caoba Drainage Company, Zizhong Drainage Company, Zigong Sewage Company, Yingjing Drainage Company and Ya'an Drainage Company, which are the subsidiaries of Sichuan Environment Investment Group Co., satisfies the VAT tax retreat policy. Industrial flue gas desulfurization, denitrification and dedusting of Datong Branch, Fengrun branch, Fenglingdu branch,

Pingshuo branch, Shenmu branch, Shizhu branch, Tuoketuo branch, Wuxiang branch, Xuzhou branch, Yongcheng branch, ustai branch, Huainan Branch, Tumushuke branch, Wuhai branch of Beijing SPC Environment Protection Tech Co., Ltd satisfies the preferential tax policy.

(13). In accordance with Notice On Continuing To Implement Preferential Tax Policies For Construction And Operation ff Rural Drinking Water Safety Projects (Cai Shui [2016] No. 19) issued by the Ministry of Finance and State Administration of Taxation, The sales revenue of tap water obtained from the entity with operation and management of drinking water project providing water to rural residents shall be exempted from value-added tax. Ya'an Water Supply Company, the subsidiary of Sichuan Development Environment Investment Group, satisfies above regulations and the revenue from providing residential water for rural residents are exempted from VAT.

(14). Pursuant to Circular of the State Council on Strengthening The Prevention And Control of Water Conservation And Pollution in Urban Water Supply (Guofa [2000] No.36), the sewage treatment fee charged with water fee by waterworks entrusted by governments at all levels and competent departments shall be exempted from value-added tax. The sewage treatment fee charged by Xingwen Water Supply Company, Mianzhu Water Supply Company And Yingjing Water Supply Company, which are the subsidiaries of Sichuan Development Environment Investment Group, satisfies the above policy and are exempted from VAT

(15). Pursuant to Circular of the State Council of the People 's Republic of China on Comprehensively Promoting The Pilot Project Of Replacing Business Tax With VAT (Caishui [2016] No.36) issued by the Ministry of Finance and State Administration of Taxation, taxpayers providing technology transfer, technology development and related technical consultation and technical services are exempted from VAT

2. Urban construction tax and education surcharge:

Category	Calculation base	Tax rate
Urban construction tax	Payable VAT	1%, 5%, 7%
Educational surcharge	Payable VAT	3%
Local educational surcharge	Payable VAT	2%

3. Enterprise income tax (‘‘EIT’’)

Enterprises of the Group are subject to EIT at the rate of 25%, except for the following entities that enjoy preferential income tax policies:

(1). In accordance with the Notice Concerning EIT Treatment of Special-Purpose Financial Funds (Cai Zheng [2011] No. 70) issued by the Ministry of Finance and State Administration of Taxation of the people’s Republic China, subsidized funds obtained by the Company are nontaxable revenue.

(2). According to the stipulation in the Enterprise Income Tax Law, operating income from the investment of public infrastructure projects which satisfied the scope, condition and criteria of the Corporate Income Tax Benefits List of Public Infrastructure is nontaxable for the enterprise income tax from the first year to the third year, and half levied from the fourth year to the sixth year. Guang'an Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd., Everbright Environmental Protection Energy (Suining) Co., Ltd., Ya'an Energy Investment Everbright Environmental Protection Energy Co., Ltd., Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd., Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd enjoy preferential tax policy. This er is fifth year of the Guang'an Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd., Zigong Energy Investment Huaxi Environmental Protection Power Generation Co., Ltd. that enjoy the preferential tax policy and the first year of Ya'an Energy Investment Everbright Environmental Protection Energy Co., Ltd., Changyuan Energy Investment Everbright Environmental Protection Energy Co., Ltd. that enjoy the preferential tax policy.

(3). Sichuan Sunfor Light Co., Ltd., Zhongke Light (Changchun) Co., Ltd., and Nanjing Yinmao Lead-zinc Mining Co. Ltd. are subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. The three subsidiaries are certified by Science and Technology Department, General Office of Finance, National Tax Bureau, and Excise Office together of each province belonged as High Technology Enterprise, and the certification number is GF201451000049, GR201522000039, and GR201832001454 respectively. These subsidiaries enjoyed an actual implemented EIT rate 15% according to related stipulations from Enterprise income tax law of the People's Republic of China and Regulations Enterprise Income Tax Law People's Republic China.

(4). According to the Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation Concerning Issues of Tax Policies Relating to Further Implementation of Western Development Strategy (Cai Shui [2011] No. 58), 15% preferential EIT rate are applied in the following companies:

The subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. which are Sichuan Gas Pipeline Investment Co., Ltd., Sichuan Puge Yongyu Water Electricity Development Co., Ltd., Sichuan Jinhui Electricity Co., Ltd., Tianquan Kangneng Hydropower Development Co., Ltd., Sichuan Energy Investment Base Co., Ltd., Sichuan Energy Xindu Distributed Energy Co., Ltd., Sichuan Zhaojue Electric Power Co., Ltd.,Luzhou Jialeyuan Electrical Development Co., Ltd., Hejiang Laolongkou Electric Power Co., Ltd., Sichuan Jinyu Financial Guarantee Co., Ltd., Sichuan Jinshi Leasing Co., Ltd., Sichuan Pingwu Electricity (Group) Co., Ltd., Shuifu Yangliutan Power Generation Co., Ltd., Sichuan Energy Investment Gaoxian Electricity Co., Ltd., Sichuan Energy Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Hongli Electricity Co., Ltd., Sichuan Energy Investment Yibin Electricity Co., Ltd., Sichuan Energy

Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd., and Sichuan Jinwei Grid Construction Co., Ltd;

The subsidiaries of Sichuan Railway Investment Group Co.,Ltd. which are Yibin Yangtze River Bridge Development Co., Ltd., Sichuan Road and Bridge East China Construction Co., Ltd., Sichuan Bahe Shuangfeng Hydropower Development Co., Ltd., Sichuan Road and Bridge Construction Group Co., Ltd., Sichuan Road and Bridge Co., Ltd., Sichuan Road and Bridge Engineering Co., Ltd., Sichuan Road and Bridge Shengtong Construction Engineering Co., Ltd., and Sichuan Road and Bridge Construction Group Traffic Engineering Co., Ltd Ltd., Sichuan balanghe Hydropower Development Co., Ltd., Sichuan Shigao Tianfu New Area Construction and Investment Co., Ltd., Sichuan Road and Aviation Construction Engineering Co., Ltd., Sichuan Railway Construction Co., Ltd., Sichuan Guilian Railway Co., Ltd., and Sichuan Xianghao Construction Engineering Management Co., Ltd.

The subsidiaries of Sichuan Communications Investment Group Co.,Ltd. which are Sichuan Shuxia Industry Co., Ltd., Sichuan Chengyu Expressway Company Limited, Chengdu North Exit Expressway Co., Ltd., Sichuan Chengle Expressway Co., Ltd., Sichuan Shugong Road Engineering Testing Co., Ltd., Sichuan Intelligent Transportation System Management Co., Ltd.,Sichuan Chenglan Expressway Company Limited,Sichuan Zhongtong Expressway Investment Construction Development Co., Ltd., Sichuan Chuandong Expressway Co., Ltd.,Sichuan Chuanbei Expressway Co., Ltd.,Sichuan Chuanxi Expressway Co., Ltd.,Sichuan Chuanxi Investment Management Co., Ltd., Sichuan Energy Investment Zhongyou Energy Co., Ltd. Chengdu Gaolu Property Service Co., Ltd. Sichuan Chuanxi Expressway Greening Environment Development Co., Ltd., Southern Sichuan Expressway Development Co., Ltd.,Chengdu Ring Expressway (West) Co., Ltd., Chengdu Ring Expressway (East) Co., Ltd.,Sichuan Jialing River Fengyi Navigation and Hydropower Development Co., Ltd.,Sichuan Port and Channel Jialing River Jinsha Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Jinxi Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Xinzheng Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Cangxi Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Tongzihao Navigation and Hydropower Development Co., Ltd.;

The subsidiaries of Sichuan Salt Company, which are Sichuan Shuncheng Salt Co., Ltd.; The subsidiaries of Sichuan Airlines Co., Ltd., which are Sichuan Airlines Chongqing Airport Catering Co., Ltd., Sichuan Airlines LSG Catering Co., Ltd., Sichuan Aircraft Maintenance Engineering Co., Ltd.; The sub-subsidiary of Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd., Chengdu Wagott Biological Product Co., Ltd.; Sichuan Chengdu Integrated Timber Plant; Guochen Industrial Investment Fund Management Co., Ltd.; Southwest United Equity Exchange Co., Ltd; The subsidiaries of Sichuan Development Environment Investment Co., Ltd. which are Mianzhu Guorun Water Supply Co., Ltd. and Mianzhu Guorun Water Draining Co., Ltd..

Chengdu Huagao Biological Products Co., Ltd. indirectly controlled by Sichuan State-Owned assets Operation and Investment Management Co., Ltd. and Sichuan Innovation Development Investment Management Co., Ltd, the subsidiary of Sichuan Development Equity Investment Fund Management Co., Ltd.' subsidiary

The subsidiaries of Sichuan Airline Group Company, which are Sichuan Airlines Chongqing airport Catering Service Co., Sichuan Lufthansa Co., Sichuan Aircraft Maintenance Co. and Sichuan Keruite Co.,

(5). Pursuant to Notice on the Implementation of the Inclusive Tax Relief Policy for Small and Micro Enterprises issued by State Administration of Taxation (Caishui [2019] No.13), Sichuan Airline Wings Co. and its subsidiary Sichuan Chuanhang Holiday International Travel Agency Co., Ltd. meet the income tax preferential conditions for small and micro enterprises. From January 1, 2019 to December 31, 2021, for the part of annual taxable income not more than 1 million yuan, 25% shall be included in the taxable income and 20% shall be paid as enterprise income tax; for the part of annual taxable income exceeding RMB 1 million but not more than RMB 3 million, 50% shall be included in the taxable income and 20% shall be paid as enterprise income tax.

(6). Pursuant to article 4 of *The Circular (trial implementation) on Tibetan preferential policies and investment incentives to encourage investment* (Zang Zhengfa [2018] No.25) issued by People's government of Tibet Autonomous Region that from January 1, 2018 to December 31, 2020, enterprises which engage in *Catalogue of Encouraged Industries in Western Region* and the main revenue accounted for 70% above of the total revenue can implement the preferential tax rate of 15%. The enterprise satisfied the article 6 can exempted from the local share (6%) from January 1, 2018 to December 31, 2021. Pursuant to the policies above, the following enterprises implement the preferential EIT of 9%:

The subsidiary of Sichuan Jinding Industry and Financial Holdings Limited, a subsidiary company of Sichuan Energy Industry Investment Group Co., Ltd, which registered in the Lhasa Economic and Technological Development Zone: Tibet Jinxinghe Investment Co., Ltd, Tibet Ding Sheng Investment Management Co., Ltd ; The subsidiary Tibet Futian Co., Ltd of Sichuan Railway Investment Group Co., Ltd; The subsidiary Tibet Property Rights Trading center limited liability company of Southwest United Equity Exchange Co., Ltd.

(7). In accordance with the provisions of the Circular of the Ministry of Finance Concerning the Printing and Distribution of Measures for Collection of Funds for Repayment of Loans in Rural Power Grids (Cai Qi [2001] No. 820), Sichuan Hydropower Investment & Management Group Ltd., the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd., is exempted from EIT on revenue from allowance granted by the financial department for funds for repayment of loans in rural power grids.

(8). *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2014] No. 84)

issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to “for profit” cultural enterprises upon their conversion from “for-profit” cultural public institutions from 1 January 2014 to December 31 2018. *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2019] No. 16) issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to “for profit” cultural enterprises upon their conversion from “for-profit” cultural public institutions within 5 years. The enterprises which has completed the conversion before December 31, 2018 can further enjoy the exemption from EIT within 5 years since January 1, 2019.

Sichuan Publishing Group Co.,Ltd, Sichuan Xinhua Publishing Group Co., Ltd. and its subsidiary Beijing Shuchuan Winshare Publishing Co. , Sichuan Xinhua Online Co., Sichuan Culture Communications Co. and thirteen publishing house are exempted from EIT to December 31, 2023.

(9). According to the Agreement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income on August 21, 2006, the tax on interest income shall not exceed 7% of the total interest. According to the State Administration of Taxation (Announcement on issuing " Management measures of nonresident taxpayers enjoy tax treaty benefits”) [2015 No.60], nonresident taxpayers who are eligible for agreement treatment conditions, at the time of tax declaration or at the time of withholding declaration through the withholding agent, enjoying the treatment of agreements, and accepting follow-up management of the tax authorities, valid for three years. Therefore, the Sichuan Development International Holdings Company Limited submitted the relevant information to the Inland Revenue Department and received the tax bureau's response. For the reporting year, the income tax on interest income of Sichuan Development International Holdings Company Limited was accrued using the tax rate of 7%.

Interest income from mainland subsidiaries of Sichuan Development International Holdings Company Limited applies to 7% income tax rate in the mainland, pretax profits applies to 16.5% tax rate in Hong Kong.

(10). According to the EIT Benefits Management issued by Sichuan local taxation bureau (Announcement of Sichuan Local Taxation Bureau [2012] No.1), Sichuan Nongken Baihe Farming Development Co., Ltd. which is a subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. enjoys the income tax exemption preferential policy.

(11). According to the Notice of EIT Preferential Policy of Small Low-profit Companies (Cai Shui [2014] No. 34) issued by the Ministry of Finance and State Administration of Taxation of the People’s Republic

China, For small low-profit companies, the income shall be reduced to 50% of the taxable income, and the enterprise income tax shall be paid at the rate of 20%. The sub-subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. which is Chengdu Neuwied Trading Co., Ltd., The subsidiaries of Sichuan Railway Investment Group Co., Ltd. which are Sichuan Jing Yi Da Engineering Testing Co., Ltd. and Sichuan Luhang Construction Engineering Co., Ltd., The subsidiary of Sichuan Development Asset Management Co., Ltd. which is Mengshan Sichuan Development Industry Investment Management Co., Ltd. is satisfied the preferential qualifications and enjoy the income tax preferential policy.

(12). The subsidiary Sichuan Jiuzhai Huanglong aviation engineering technology limited liability company of Sichuan Communications Investment Group Co.,Ltd. was certified as encouraged industry project for the state by the Sichuan provincial economic and Information Technology Commission (Chuan Jing Xin Industry Letter [2013] No. 205) (valid until December 31, 2020), the rate of enterprise income tax shall be subject to the announcement of the preferential tax rate of 15% in the Announcement No. seventh of 2012 by the State Administration of Taxation of the Sichuan.

4. Properties tax

It is calculated on the basis of 70% of the original value of the property at the rate of 1.2%; and leased properties is levied at 12% of rental income received.

5. Other taxes

They are paid according to the regulations of the State and the competent tax authorities in addition to the following circumstances.

Pursuant to the Land Use Tax Exemption Provisions of Electricity Industry issued by State Administration of Taxation of the People's Republic China (Guo Shui Di [1989] No.13), After the registration and approval by the Local Taxation Bureau, the land for the transformer station of Sichuan Hydropower Investment Management Group Kaijiang Moon Electric Power Co., Ltd. which is the subsidiary of Sichuan Energy Investment Group Co., Ltd. is exempted from the land use tax.

Pursuant to Caishui [2006] No.17, Sichuan Railway Group and its subsidiary Sichuan Railway Construction Co. are satisfied the relevant stipulations on the exemption of real estate tax and urban land use tax for self use real estate and land and are filed.

VI. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. General information of second-level subsidiaries included in consolidated financial statements during the year (unit: RMB '0000')

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
1	Sichuan Railway Investment Group Co., Ltd.	Railway Investment Group	2	1	Chengdu	Investment in and construction, operation and management of local railways and jointly operated railways in Sichuan	2,000,000.00	100.00	100.00	3,041,881.29	4
2	Sichuan Communications Investment Group Co., Ltd	Sichuan Communications	2	1	Chengdu	Management of investment in and construction and operation of major transportation infrastructure	3,500,000.00	100.00	100.00	7,934,894.03	4
3	Sichuan Energy Industry Investment Group Co., Ltd.	Energy Investment Group	2	1	Chengdu	Energy project investment and management	931,600.00	100.00	100.00	800,609.22	4
4	Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd.	Industry Fund	2	1	Chengdu	Equity investment and relevant advisory services	300,000.00	100.00	100.00	300,000.00	1
5	Sichuan Xinhua Publishing Group Co., Ltd.	Xinhua Group	2	1	Chengdu	Book issuing and sales	59,382.20	100.00	100.00	285,625.86	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
6	Sichuan Airlines Group Co.,Ltd	Airlines Group	2	1	Chengdu	Domestic air transport and air service	21,500.00	100.00	100.00	73,387.64	4
7	Sichuan Salt Company	Salt Industry Corporation	2	1	Chengdu	Salt and salt products	17,676.60	100.00	100.00	88,969.69	4
8	Sichuan Publishing Group Co.,Ltd	Publishing Group	2	1	Chengdu	Book editing, publishing, issuing and printing	50,000.00	100.00	100.00	149,954.39	4
9	Sichuan Mineral Investment Group Co., Ltd	Mineral Investment Group	2	1	Chengdu	Project investment, commodity wholesale and retail	19,000.00	100.00	100.00	33,669.78	4
10	Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd.	State-Owned Assets Operation	2	1	Chengdu	Project investment and advisory services, supervision and management of operation of and gains from State-owned assets	50,000.00	100.00	100.00	212,342.71	4
11	Sichuan State-Owned Assets Investment Administrator Co., Ltd	State-Owned Assets Investment	2	1	Chengdu	Project investment, operation and management, etc.	11,264.00	100.00	100.00	40,972.91	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
12	Sichuan Provincial Nonferrous Technology Group Co., Ltd.	Nonferrous Technology	2	1	Chengdu	Metallic material, metallurgical research, etc.	2,880.00	100.00	100.00	1,882.08	4
13	Sichuan Chengdu Integrated Timber Plant	Timber Integrated Factory	2	1	Chengdu	Project investment, property management, etc.	5,018.00	100.00	100.00	2,293.94	4
14	Sichuan Rural and Urban Development Investment Co,. Ltd	Sichuan Rural Investment	2	1	Chengdu	Project investment, Assets management, Investment management and consultation	1,200,000.00	100.00	100.00	400,000.00	1
15	Sichuan Sanxin Investment Co., Ltd.	Sanxin Company	2	1	Chengdu	Project investment, assets management	150,500.00	100.00	100.00	149,500.00	1
16	Guochen Industrial Investment Fund Management Co., Ltd.	Guochen Fund	2	1	Chengdu	Equity (industry) investment fund management, etc.	4,950.00	100.00	100.00	4,826.21	1
17	Southwest United Equity Exchange Co., Ltd	Southwest Equity	2	1	Chengdu	Equity transaction etc.	10,000.00	50.00	50.00	5,000.00	1
18	Sichuan Development Equity Investment Fund Management Co. Ltd.	Equity Fund	2	1	Chengdu	Equity investment management and	10,000.00	100.00	100.00	10,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						relevant advisory services					
19	Sichuan Development International Holding Company Limited.	Development International	2	1	Hong Kong	Project investment, Assets management, etc.; Overseas subsidiary.	149,254.81	100.00	100.00	149,842.23	1
20	Sichuan Development Guokang Energy Investment Co., Ltd	Guokang Investment	2	1	Chengdu	Exploration and sale of phosphate	10,000.00	100.00	100.00	846.24	3
21	Sichuan Water Environmental Protection Equity Investment Center (limited partnership)	Water Environmental Protection	2	1	Chengdu	Equity investment and consultative services for nonpublic shares exchange	5,931.37	69.44	69.44	4,119.00	1
22	Sichuan Development City Construction Investment Co., Ltd	Development City Construction	2	1	Chengdu	Investment and Assets management, Water conservancy projects, urban and rural water supply and drainage,aquaculture	200,000.00	100.00	100.00	153,919.30	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						, water environment control					
23	Beichuan Development Investment Co., Ltd.	Beichuan Company	2	1	Beichuan Qiang Autonomous	Investment and asset management; enterprise management consulting;	1,000.00	100.00	100.00	3,000.00	1
24	Sichuan Development Environment Investment Co., Ltd.	Environment Investment	2	1	Chengdu	water, sewage treatment and investment of environmental protection projects, design, construction, operation management, technical development, technical consultation and technical service	300,000.00	100.00	100.00	311,390.46	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
25	Sichuan Development Industry Lead Equity Investment Fund Management Co., Ltd.	Lead Equity	2	1	Chengdu	Asset management, investment advisory, financial advisory	10,000.00	100.00	100.00	8,000.00	1
26	Sichuan Guoyuan Agriculture Investment Co., Ltd.	Guoyuan Agriculture Investment	2	1	Xichang	Investment in modern agricultural projects, operation management, investment in land development	50,000.00	65.00	65.00	6,500.00	1
27	Sichuan Development Mining Investment Co., Ltd.	Development Mining	2	1	Chengdu	Mining investment and management, mineral product sales	100,000.00	100.00	100.00	230,213.18	1
28	Sichuan Shengtian New Energy Development Co., Ltd	Shengtian New Energy	2	1	Chengdu	Infrastructure construction projects, rail transit projects, municipal road projects	161,100.00	51.60	51.60	89,200.71	1
29	Sichuan Development Rail Transit Industry Investment Co., Ltd	Development Rail Transit	2	1	Chengdu	infrastructure construction projects, rail transit	150,000.00	100.00	100.00	66,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						projects,Smart city project investment and related business					
30	Sichuan Financial Holding Group Co.	Financial Holding	2	1	Chengdu	Project Investment, Asset Management, Investment Consultation, Financial Research	3,000,000.00	100.00	100.00	735,517.90	1
31	Sichuan Development Xingchuan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xingchuan Fund	2	1	Chengdu	Investment, consultation	501,000.00	22.71	100.00	70,533.33	1
32	Sichuan Development Modern Service Industry Investment Group Co., Ltd	Modern Service Co.	2	1	Chengdu	Investment. Asset management, Estate management, advertisement	100,000.00	100.00	100.00	116,421.92	1
33	Sichuan Development Xingzhan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xinzhan Fund	2	1	Chengdu	Investment, consultation	321,000.00	10.00	100.00	30,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
34	Sichuan Development Guohui Microcredit Co.	Guohui Microcredit	2	1	Chengdu	Loan, Equity Investment	50,000.00	100.00	100.00	50,000.00	1
35	Tianfu(Sichuan) Credit Enhancement Co.	Credit Enhancement Co.	2	1	Chengdu	Credit Enhancement, Consultation,	400,000.00	70.00	70.00	280,000.00	1
36	Chengdu Xinzhu Road and Bridge Machinery Co., Ltd.	Xinzhu Co.	2	1	Chengdu	Design and construction for mental bridge and bridge material	65,473.30	15.95	15.95	82,716.61	3
37	Sichuan Ouyalutai Business Co.	Ouya Co.	2	1	Chengdu	Trade agency, goods freight, import and export of goods and technology, warehouse, new energy development	10,000.00	90.00	90.00	9,000.00	1
38	Sichuan Development Investment, Construction of Emerging Industrial Park Co	Industrial Park	2	1	Chengdu	Construction , investment, operation, management of industrial Park; asset management, real estate	90,000.00	100.00	100.00	40,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
39	Beijing Chuanfa Investment and management Co.	Beijing Chuanfa	2	1	Beijing	Consulting, Hotel management, financial advisory, property management	50,000.00	100.00	100.00	40,000.00	1
40	Sichuan Development Big Data Investment Co. Ltd.	Big Data	2	1	Chengdu	Investment management, Investment consulting, Date processing and storage, information system integration service	200,000.00	100.00	100.00	88,000.00	1
41	Sichuan Runheng Development Equity Investment Fund Management Co., Ltd.	Runheng Fund	2	1	Chengdu	Entrusted with the management of equity investment enterprises, engaged in investment management and related advisory services	2,000.00	80.00	80.00	1,600.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
42	Sichuan Development Leading Capital Management Co., Ltd	Leading Capital	2	1	Chengdu	Project investment, entrusted asset management, investment management, investment consultation and financial consultation	40,000.00	100.00	100.00	40,000.00	1
43	Sichuan Development Ruixin Investment Co., Ltd.	Ruixin Investment	2	1	Chengdu	Project Investment, land arrangement	60,000.00	51.00	51.00	6,120.00	1
44	Nanjing Yinmao Lead and Zinc Mining Co., Ltd.	Nanjing Yinmao t	2	1	Chengdu	Project investment and Assets Arrangement	5,644.00	80.00	80.00	94,161.46	3
45	Sichuan Shuxi Investment Co.	Shuxi	2	1	Chengdu	Equity Investment and related advisory, Project investment, asset management, investment information advisory	1,000.00	100.00	100.00	1,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
46	Sichuan Guoke Asset Mangement Co.	Guoke	2	1	Mianyang	Asset management, asset investment, other services related to capital market, enterprise management, business service	25,559.80	60.00	60.00	15,335.88	1

Note 1: Business type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. Overseas subsidiary; 4. institution; 5. infrastructure construction subsidiary.

Mode of acquisition: 1. establishment by investment; 2. business combination under common control; 3. business combination not under common control; 4. company with contribution made by the provincial government in accordance with Chuan Fu Han [2008] No. 330 document.

Note 2: Where the proportion of shareholding is inconsistent with the voting power percentage, it shall be deemed as a result of combination of non-wholly-owned shareholding subsidiaries.

2. Companies holding more than half of voting rights but not included in the consolidation (unit: RMB '0000')

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
1	Xinzhu Co.	16.06	16.06	65,473.30	82,716.61	2	Substantive control
2	Sichuan Sunfor Light Co.,Ltd.	38.59	38.59	12,457.00	65,759.76	3	Substantive control
3	Sichuan New Energy Power Co., Ltd.	28.03	28.03	127,000.00	114,834.22	3	Substantive control
4	Sichuan Energy Investment Deveolopment Co.	36.71	36.71	107,435.77	150,662.61	3	Substantive control
5	Chengdu Wenjiang Xingwen Micro-loan Co., Ltd	40.00	40.00	30,000.00	12,000.00	3	Substantive control
6	Chuanhang Engine Maintenance Co.	31.00	51.00	500.00	155.00	3	Substantive control
7	Sichuan nonferrous New Material Technology Co., Ltd	37.69	37.69	22,650.71	8,566.05	3	Substantive control
8	Sichuan Development Cultural Tourism Equity Investment Fund Partnership (limited partnership)	48.39	48.39	31,000.00	15,000.00	3	Substantive control
9	Sichuan Cultural Industry Equity Investment Fund Partnership (limited partnership)	11.90	11.90	84,000.00	10,000.00	3	Substantive control
10	Sichuan Road & Bridge Construction Group Co., Ltd	41.89	41.89	361,052.55	198,119.11	3	Substantive control
11	Sichuan Chenglan Railway Investment Co., Ltd	44.00	44.00	213,000.00	125,800.00	3	Substantive control

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
12	Sichuan Xingshu Railway Investment Co., Ltd	31.78	31.78	343,000.00	343,874.22	3	Substantive control
13	Chengyu Financing Leasing Co.	35.87	35.87	305,806.00	269,292.19	3	Substantive control
14	Beijing SPC Environment Protection Tech Co., Ltd. (hereinafter referred to as Beijing SPC	25.31	25.31	108,127.21	27,367.00	3	Substantive control
15	Sichuan Development Xingcheng Equity Investment Fund Partnership (limited partnership)	19.95	19.95	376,000.00	75,000.00	3	Substantive control

3. Companies holding less than half of voting rights which are included in the consolidation (unit: RMB '0000')

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
1	Sichuan Publishing Foreign Trade Company	100.00	100.00	70.73	70.73	3	Liquidation declared
2	Sichuan Xinhua Travel Agency Co., Ltd.	100.00	100.00	30.00	25.00	3	Liquidation declared
3	Sichuan Kangding Airport Group Co., Ltd	70.00	70.00	5,000.00	148,671.78	3	No substantive control
4	Sichuan Airlines Property Management Co., Ltd.	100.00	100.00	60.00	60.00	3	Entrusted operation, uncontrolled
5	Deyang Zhengxing Glassfiber Investment Center (Limited Partnership)	81.63	81.63	6,125.00	5,000.00	3	No substantive control
6	Sichuan Lujie Information Engineering Co., Ltd.	60.00	60.00	200.00	120.00	3	Revoked, but not cancelled
7	Beijing Huading New Power Equity Investment Fund (limited partnership)	97.08	97.08	—	466,900.00	3	No substantive control

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
8	Sichuan Port & Channel Investment Group Co., Ltd	90.71	90.71	937,000.00	1,097,041.9	3	No substantive control
9	Chengdu fuheqiao Business Development Co., Ltd	100.00	100.00	200.00	7,080.00	3	Existing limit in control
10	Sichuan Fuhe Huayi Real Estate Co., Ltd	100.00	100.00	2,500.00	30,913.58	3	Existing limit in control
11	Sichuan Wudu Power Station Co., Ltd.	60.00	40.00	5,000.00	31,593.43	3	No substantive control

4. When there is any inconsistency on the accounting policies adopted between subsidiaries and the Group, the approach adopted when preparing consolidated financial statements

(1) Inclusion of overseas subsidiaries, capital construction units and institutions in the consolidation and method of consolidation

If an overseas subsidiary should be included in the consolidation in accordance with the Accounting Standards for Business Enterprises, the Group translates its financial statements into those denominated in RMB according to Note III (8) ‘‘Method of Accounting and Translation of Foreign Currency Business’’, and takes the RMB financial statements translated as the basis of preparation of the consolidated financial statements. If there is any inconsistency on the accounting year between an overseas subsidiary and the Group, the Group requires such overseas subsidiary to otherwise prepare supplementary financial statements according to the accounting year of the Group as the basis of preparation of consolidated financial statements.

(2) Special accounting policies of subsidiaries

1) Micro loans company

Provision for impairment of loan, including: general provision, special provision and specific provision. General provision is provided in accordance with certain ratio of the loan balance, and is provided for unidentified potential loss; Special provision is made in accordance with Guidance on Classification of Risk on Loan. Provision is made according to the loss degree for each loan after the classification of loan risk, and the provision is provided for special loss; Specific provision is made in accordance the distribution

of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance and is used for the potential loss caused by systematic risk.

Provision for entrusted loan loss is made in accordance with principles of 5 degree classification of loan; provision is made based on the judgment of systematic risk of the entrusted loan.

Provision for impairment of loan and escrowed loan method:

Category	Level	Provision ratio	Basis for provision
(1)General provisions		1.00%	Loan balance as at each end of quarter
(2) Special provisions			At the end of each quarter, each loan is classified in accordance with the principles of 5 degree of classification of loan and provision is made according to corresponding provision ratio
Normal	Normal degree one	0.00%	
	Normal degree two	0.00%	
	Normal degree three	0.50%	
Concern	Concern degree one	1.00%	
	Concern degree two	1.50%	
	Concern degree three	2.00%	
Sub-degree	Sub-degree one	20.00%	
	Sub-degree two	25.00%	
Suspicious		50.00%	
Loss		100.00%	
(3) Specific provisions	provision is made in accordance the distribution of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance as at the year end and is used for the potential loss caused by systematic risk		

2) Financial Guaranty Company

The unearned premium reserve and guarantee compensation reserve are withheld according to Interim Measures for the Administration of Financing Guarantee Companies ([2010]No. 3) jointly issued by China Banking Regulatory Commission ,National Development and Reform Commission, Ministry of Industry and Information Technology of the People's Republic of China, Ministry of Finance, Ministry of Commerce,

Bank of China and State Administration for Industry & Commerce of the Peoples' Republic of China.

The unearned premium reserve: 50% of premium income for the year.

The guarantee compensation reserve: 1% of guarantee liability balance as at the end of the year. If the accumulated guarantee compensation reserve reached 10% of the guarantee balance, then difference amount method is used for the provision of guarantee compensation reserve.

5. Details of second-level entities newly included in the consolidation during the year

Name	Percentage of shareholding (%)	Net Assets As of the end of the year	Net Profit for the year	Notes
Leading Capital	100.00	1,819,395,119.78	23,309,273.80	New establish
Shengtian New Energy	51.60	1,593,011,976.52	82,802,308.69	Business combination

6. Details of second-level entities not to be included in the consolidation during the year

Name	Place of registration	Business type	Percentage of shareholding(%)	Percentage of voting right (%)	Reasons for excluding from consolidating
Shuyu Minning Co.	Chengdu	Mining investment and management; marketing of mineral products			Has been sold

7. Details of business combination under the common control during the year

None

8. Details of major business combination not under the common control during the year (in 10 thousand)

Name	Purchase date	Carrying Amount (0000)	Fair value of Recognized net assets (0000)		Transaction considerations (0000)	Goodwill/non-operating income	
			Amount	Recognition basis		Amount	Confirmation basis
SPC	2019-7-5	472,467.29	560,038.80	Asset basis	245,755.66	109,550.93	Where the cost of the combination exceeds the acquirer's
Sichuan Energy Investmen	2019-7-30	22,601.16	124,933.57	Asset basis	77,717.76	-678.05	

Name	Purchase date	Carrying Amount (0000)	Fair value of Recognized net assets (0000)		Transaction considerations (0000)	Goodwill/non-operating income	
			Amount	Recognition basis		Amount	Confirmation basis
t Lithium Co., Ltd							interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill;
Chengdu Sun High Tech Co., Ltd	2019-1-1	1,175.49	1,175.49	Asset basis	969.54	-60.54	

In this year, the Company transferred 20.90% of the subscribed capital (not yet paid in) of Tianjin Jinlian Investment Holding Co., Ltd., the original shareholder of Shengtian New Energy. After the transfer, the shareholding ratio changed from 30.70% to 51.60%, and the equity method was changed to cost method for accounting

9. Counter purchase during the year.

None

10. Merger by amalgamation during the year

Sichuan Jinhui Electric Power Co., Ltd. under Energy Investment Group absorbed and merged Tianquan Kangneng Hydropower Development Co., Ltd. and Sichuan Energy Investment Intelligent Photoelectric Co., Ltd. absorbed and merged Sichuan energy investment photoelectric Co., Ltd.

VII. EXPLANATION OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Among the data of financial statements disclosed below, except specifically indicated, ‘‘beginning of the year’’ refers to January 1, 2019 ‘‘the end of the year’’ refers to December 31, 2019, ‘‘the year’’ refers to be from January 1, 2019 to December 31, 2019, ‘‘previous year’’ refers to be from January 1, 2018 to December 31, 2018 and the currency unit is RMB except otherwise indicated.

1. Cash and cash equivalents

(1) Balance of Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	32,233,061.14	29,072,445.63
Bank deposit	109,127,734,107.85	111,106,124,810.22
Other monetary funds	6,387,791,855.12	6,064,239,565.47
Total	**115,547,759,024.11**	**117,199,436,821.32**

(2) Restricted use at the end of this year

Item	Amount	Reason for restricted use
Bank deposit *1	6,694,877.67	Long-term suspension account
Bank deposit	52,039,375.03	Special fund
Bank deposit	752,273,834.70	Deposit out investment funds, loan pledge certificates of deposit, etc
Bank deposit	1,407,115,139.65	Notes guarantee, letter guarantee, and credit guarantee etc.
Bank deposit	319,283,952.06	Frozen capital
Other monetary funds	2,000,000.00	Frozen capital
Other monetary funds *2	1,403,682,806.23	Notes guarantee, letter guarantee, and credit guarantee etc.
Total	**3,943,089,985.34**	—

*1. Mainly the long-term suspension account of Railway Investment Group totaling 6.653 million.

*2. The mainly frozen capital is the capital of Sichuan Development Land Assets Operation and Management Co., Ltd totaling RMB 290 million frozen by Sichuan premium court due to a litigation. In January 2020, relevant matters have been solved and the frozen funds has been lifted.

2. Held-for-trading financial assets

Item	Fair value as of the end of the year	Fair value as of the beginning of the year
Trading financial assets	1,561,406,533.02	
Wherein: Debt instrument investment		
Equity instrument investment	189,492,050.15	
Others	1,371,914,482.87	
Financial assets designated to be measured at fair value with changes in fair value recognized in profit or loss		
Wherein: Debt instrument investment		
Equity instrument y investment		
Others		
Total	**1,561,406,533.02**	

The Group's held-for-trading financial assets are mainly bank financial products with a term of less than one year purchased by Xinhua Group and shares of A-share listed companies. The fair value of bank financial products is determined based on the discounted cash flow method.

3. Financial asset at fair value through profit or loss

Item	Fair value as of the end of the year	Fair value as of the beginning of the year
Trading financial assets	**3,125,039,638.24**	**2,321,784,473.16**
Wherein: Debt instrument investment	91,692,373.54	13,500,031.48
Equity instrument investment *1	2,788,207,589.36	2,159,785,041.78
Others	245,139,675.34	148,499,399.90
Financial assets designated to be measured at fair value with changes in fair value recognized in profit or loss	**1,024,326,441.28**	**879,773,899.21**
Wherein: Debt instrument investment		
Equity instrument y investment	408,079,232.88	21,283,189.79
Others*2	616,247,208.40	858,490,709.42
Total	**4,149,366,079.52**	**3,201,558,372.37**

*1. The increase of equity instrument investment in this year is mainly due to the purchase of Xinli No.1 private investment fund by Jinding fund, a subsidiary of Energy Investment Group.

4. Notes receivable

(1) Notes receivable

Item	Ending Balance	Beginning Balance
Bank acceptance notes	939,395,451.05	552,223,142.19
Commercial acceptance notes	524,037,822.97	185,698,811.80
Total	**1,463,433,274.02**	**737,921,953.99**

(2) Notes receivable which have been pledged but not yet due at the end of the period

Item	Pledged amount at the end of the period
Bank acceptance notes	178,777,943.98
Commercial acceptance notes	48,887,122.22
Total	**227,665,066.20**

(3) Notes receivable which have been endorsed or discounted but not yet due at the end of the period

Item	Amount whose recognition is terminated at the end of the period
Bank acceptance notes	1,933,481,252.50

Item	Amount whose recognition is terminated at the end of the period
Commercial acceptance notes	38,664,472.74
Total	**1,972,145,725.24**

5. Accounts receivable

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Significant individual receivables with bad debt provision made on individual basis	1,871,879,337.90	248,343,323.90	927,698,988.06	195,397,814.26
Accounts receivable for which provision for bad debts is made by combination			——	——
Receivable toll revenue combination	58,172,047.80		63,101,526.74	
Receivable related party combination	356,399,179.45	4,928,021.75	142,064,403.14	1,291,032.32
Aging combination	18,282,198,510.44	1,282,431,187.30	17,886,437,147.81	994,741,195.83
Credit of trading parties combination	4,607,985,286.09	88,438,148.92	2,354,750,435.30	-
ECL losses model	469,569,419.55	135,910.00		
Subtotal	23,774,324,443.33	1,375,933,267.97	20,446,353,512.99	996,032,228.15
Insignificant individual receivables but with bad debt provision made on individual basis	1,697,382,752.43	675,871,859.95	1,795,410,367.76	564,655,385.79
Total	**27,343,586,533.66**	**2,300,148,451.82**	**23,169,462,868.81**	**1,756,085,428.20**

(1) Receivables with bad debt provision made on aging combinations basis

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within one year	14,264,397,754.00	335,797,574.57	15,275,485,718.53	214,780,865.97
1-2 years	2,538,369,323.57	270,818,130.10	1,496,594,808.18	173,779,475.81
2-3 years	712,322,518.01	188,791,607.34	396,821,861.75	108,727,530.99
3-4 years	363,182,763.19	172,197,499.17	374,149,544.24	208,215,644.75
4-5 years	218,003,147.31	145,710,126.66	150,079,220.81	106,413,728.53
Over 5 years	185,923,004.36	169,116,249.46	193,305,994.30	182,823,949.78
Total	**18,282,198,510.44**	**1,282,431,187.30**	**17,886,437,147.81**	**994,741,195.83**

(2) The detail of account receivables within related parties' group was in Note XI. 3

(3) Significant individual receivables with bad debt provision made on individual basis

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
China Datang Co. Ltd.	834,912,312.53	28,175,999.63	3.37	Present value of future cash flow lower than the book value
Sichuan Xiangling Industrial Co.	268,014,154.06	220,167,324.27	82.15	Present value of future cash flow lower than the book value
Transportation Bureau of Enyang District, Bazhong City	263,525,741.31	-		No risk of impairment
China Railway City Development and Investment Group Co. Ltd	250,219,865.00	-		No risk of impairment
Suining Jinqiao Administration Commission	134,127,265.00			No risk of impairment
Ningbo Pinli Trading Co., Ltd	121,080,000.00			No risk of impairment
Total	**1,871,879,337.90**	**248,343,323.90**	—	

(4) Major individual receivables that bad debt provision made on individual basis with the single amount above RMB 10 million at the end of this year.

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Jianyang Transportation Bureau - Jianji engineering coordination Headquarters Office	75,339,917.72			No risk of impairment
Fujian Funeng Power Fuel Co., Ltd	68,591,260.00	54,873,008.00	80.00	Based on expected loss
Sichuan No.1 Construction Engineering Company	53,982,232.84			No risk of impairment
Cangxi Datong Natural Gas Investment Co., Ltd	28,227,627.15	28,227,627.15	100.00	Based on expected loss
Sichuan Jiaqi Petrochemical Co., Ltd	20,518,024.84	2,203,527.04	10.74	Based on expected loss
China Huaxi Enterprise Co., Ltd	15,000,000.00			No risk of impairment
Shanghai Yunbin Trading Co., Ltd	14,187,500.00	14,187,500.00	100.00	Based on expected loss
Liangshan New Fuyuan Agriculture And Forestry Technology Co., Ltd	11,113,400.00			No risk of impairment
China Nuclear Industry Zhongyuan Construction Co., Ltd	10,614,100.00			No risk of impairment

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Gaoxian Xinli Chemical Co., Ltd	10,021,508.99	10,021,508.99	100.00	Based on expected loss
Sichuan Taiqing Building Materials Trade Co., Ltd	10,000,000.00			No risk of impairment
Xingwen Zizhong Mining Co.	18,937,961.00			No risk of impairment
Xingwen Five-star Mining Co.	26,360,067.97			No risk of impairment
Leshan Yanlin Construction Co.	10,271,604.00			No risk of impairment
Chengdu Juye Garden Greening Engineering Co., Ltd.	13,702,653.49			No risk of impairment
Sichuan Shengmei Household Furnishing Co.	12,222,983.34			No risk of impairment
Guanghan Jiutian Polymer Materials Company	27,712,802.07			No risk of impairment
Guangan Ruifengda Trading Co.	17,494,244.62			No risk of impairment
Rongxian Peihua Trading Co.	12,851,256.31			No risk of impairment
Nanchong Tiantangniao Paint Co.,Ltd.	16,236,122.80			No risk of impairment
Mianyang Guangyou Network Technology Co., Ltd.	40,460,090.79	10,237,587.34	25.30	Based on expected loss
Meishan Xinhua Paper Printing Co., Ltd.	15,000,000.00	10,237,587.34	68.25	Based on expected loss
Guangan Wanchun Trading Co.	22,654,039.37	5,023,214.15	22.17	Based on expected loss
Chengdu Rongxin Metal Investment Co.,Ltd.	13,841,130.75	1,842,068.77	13.31	Based on expected loss
Chengdu Pengyue Furniture Co.	24,037,839.28	4,932,070.21	20.52	Based on expected loss
Yibin Hongloumeng Jinchai Distillery Marketing Co.,Ltd.	10,391,757.17	18,381,271.24	176.88	Based on expected loss
Leshan Zhiyuan Highland Mining Co., Ltd	13,892,604.70	12,720,974.93	91.57	Based on expected loss
Wangguoyang	10,433,654.87	10,202,255.43	97.78	Based on expected loss
Mianyang Ruifeng Construction Co.	20,000,000.00	8,162,959.07	40.81	Based on expected loss
Sichuan Guangjin Ronggu Equipment Co.	19,751,376.66	40,460,090.79	204.85	Based on expected loss
Chengdu Jiulong Trading Chains Co.	15,302,611.17	4,942,368.05	32.30	Based on expected loss
Pangzhihua Deyong Industry Trading Co, Ltd.	15,170,300.00	2,989,789.60	19.71	Based on expected loss
Sichuan Guangyou Risheng Integrated Marketing Diffusion Co.,Ltd.	10,222,086.78	4,426,756.55	43.31	Based on expected loss
Chengdu Huite Feeds Co.	14,727,038.73	3,672,600.80	24.94	Based on expected loss
Sichuan Yunxiang Printing Industrial Co.	16,547,358.41	3,124,020.90	18.88	Based on expected loss
Sichuan Xingming Glassware Co.	15,851,172.44	1,350,540.13	8.52	Based on expected loss
Chengdu Teante Trading Co	10,065,378.47	5,234,480.43	52.00	Based on expected loss

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Chengdu Hengrun High Tech Co., Ltd	12,500,000.00	3,493,155.94	27.95	Based on expected loss
Chengdu Xinliji Mechanical and Electrical Manufacturing Co., Ltd	10,868,312.15	3,926,059.66	36.12	Based on expected loss
Chengdu Paier Express Co., Ltd	13,211,943.19			No risk of impairment
Suining Yuao Textile Co., Ltd	10,323,623.06	982,802.10	9.52	Based on expected loss
Sichuan Kunlun Textile Co., Ltd	12,246,268.44	13,763,019.09	112.39	Based on expected loss
Chengdu Jinzhu Auto Parts Manufacturing Co., Ltd	20,236,414.61	10,222,086.78	50.51	Based on expected loss
Sichuan Guangrong Technology Co., Ltd	10,195,152.22	6,026,665.07	59.11	Based on expected loss
Sichuan Jintengda Clothing Co., Ltd	12,932,000.00	12,155,844.80	94.00	Based on expected loss
Sichuan Yibin Yaoqi Blasting Engineering Co., Ltd	10,508,844.57	4,990,089.44	47.48	Based on expected loss
Yibin Junlian Dingxin Electromechanical Equipment Co., Ltd	10,526,647.59	2,060,060.12	19.57	Based on expected loss
Luzhou Huashang Clothing Co., Ltd	11,324,155.06	4,510,614.03	39.83	Based on expected loss
Chengdu Xihui Investment Co., Ltd	12,000,000.00	1,412,474.47	11.77	Based on expected loss
Sichuan Longmang Phosphorus Chemical Co., Ltd	33,613,551.37			No risk of impairment
Luzhou Xinglu Asphalt Co., Ltd. sales branch	15,666,492.60	5,003,737.65	31.94	Based on expected loss
Sichuan Wanxin Water Conservancy and Hydropower Equipment Co., Ltd	12,656,704.22	12,656,704.22	100.00	Based on expected loss
Sichuan Railway Xingxin Logistics Co., Ltd	10,404,794.88			No risk of impairment
Sichuan Xinshun Building materials Co., Ltd	60,872,484.36			No risk of impairment
Jiangyou Bohua Cultural Tourism Development Center (limited partnership)	21,555,555.54			No risk of impairment
Sichuan Integrated Circuit And Information Security Industry Investment Fund Co., Ltd	48,560,000.02			No risk of impairment
Others(Total of entities lower than 10 million)	585,446,101.82	337,214,739.67	57.60	Based on expected loss
Total	**1,697,382,752.43**	**675,871,859.95**		

(5) Provisions made by ECL losses models are the provisions made by the subsidiaries which have adopted New Financial Standards.

(6)The top 5 account receivables in order of the ending balance of debtors

Debtor	Book balance	Percentage of total accounts receivable（%）	Bad debt provision
China Datang Co. Ltd.	834,912,312.53	3.05	28,175,999.63
State Grid Sichuan Electric Power Co.	828,585,424.51	3.03	19,062,458.82
Government of Yilong	376,786,008.00	1.38	
Sichuan Xiangling Industrial Co.	268,014,154.06	0.98	220,167,324.27
Transportation Bureau of Enyang District, Bazhong City	263,525,741.31	0.87	6,729,527.18

6. Prepayment

(1) Age of prepayment

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year(inclusive)	6,638,988,229.14	1,368.00	6,408,821,800.75	15,098,446.14
1－2 years	780,468,020.17	10,917,693.19	785,470,510.52	17,906.40
2－3 years	314,818,794.07	26,202,590.20	364,911,597.80	1,620,868.01
Over 3 years	513,200,378.84	55,390,097.78	606,488,829.71	75,828,276.13
Total	**8,247,475,422.22**	**92,511,749.17**	**8,165,692,738.78**	**92,565,496.68**

(2) Large-amount prepayment with an age of over 1 year

Company Name	Balance	Age	Cause of unsettlement
Renshou Public Resources Trading Center	148,122,450.00	Over 3 years	Not yet delivered
China MCC5 Group Co., Ltd	94,326,226.98	1-2 years	Project Unsettled
Tongjiang Wanxin Investment Management Co., Ltd	64,872,500.00	Within 3 years	Settlement conditions not met
Shanghai Shize Industrial Development Co., Ltd	50,094,000.00	2-3 years	Litigation filed
Sichuan Chemical Holding (Group) Co., Ltd	50,000,000.00	Over 3 years	Prepayment of equity
Sichuan Logistics Industry Co., Ltd	40,000,000.00	Over 3 years	Unsettled
Sichuan Lianyirunda Trading Co., Ltd	28,178,736.77	Within 2 years	Unsettled
Mianning Investment Development Co., Ltd	25,000,000.00	1-2 years	Settlement conditions not met
Ziyang Resource Power Group Co., Ltd	19,160,135.60	2-3 years	Settlement conditions not met
Sinosteel Sichuan Co., Ltd	18,194,113.75	2-3 years	Settlement conditions not met
Chongqing Chuyu Petroleum Sales Co., Ltd	16,424,100.00	1-2 years	Unsettled
Jiangsu Yueda Carter new energy Co., Ltd	14,516,598.50	1-2 years	Unsettled
Sichuan Jietong Transportation Technology Co., Ltd	13,909,065.32	1-2 years	Unsettled

Company Name	Balance	Age	Cause of unsettlement
Sinohydro bureau 3 Co., Ltd	13,000,000.00	2-3 years	Settlement conditions not met
Jiangsu senyue Supply Chain Management Co., Ltd	12,647,433.94	1-2 years	Settlement conditions not met
Quxian branch of Sichuan Zhongya Urban Investment Construction Co., Ltd	11,010,732.08	1-2 years	Contract not completed
Sichuan Xiongwei Construction General Contracting Co., Ltd	10,708,572.00	1-2 years	Contract not completed
Sichuan Jianneng Power Design Co., Ltd	10,642,920.00	2-3 years	Settlement conditions not met
Chengdu Heyifeng Trade Co., Ltd	10,610,160.00	Over 3 years	Negotiation on transfer of creditor's rights and debts among three parties
Sichuan Xinshun Building Materials Co., Ltd	10,000,000.00	1-2 years	Settlement period not reached
China Merchants United Supply Chain (Shanghai) Co., Ltd	10,000,000.00	1-2 years	Trade advance
Total	**671,417,744.94**		

7. Other receivables

Items	Ending Balance	Beginning Balance
Interest receivables	1,100,848,817.45	732,838,801.09
Dividend receivables	182,223,340.97	143,822,891.99
Other receivables	39,473,501,464.52	35,108,292,214.29
Total	**40,756,573,622.94**	**35,984,953,907.37**

1. Interest receivables

(1) Category of interest receivables

Items	Ending Balance	Beginning Balance
Interest on deposits	22,951,305.87	43,325,287.49
Interest on pledge deposits	633,643,840.73	175,756,695.17
Entrusted loan	267,992,761.72	431,191,100.04
Bond interest	80,622,076.67	23,596,095.17
Micro-loan interest	88,334,143.13	49,590,870.52
Others	7,304,689.33	9,378,752.70
Total	**1,100,848,817.45**	**732,838,801.09**

2. Dividend receivables

Items	Ending Balance	Beginning Balance
Chuancai Securities Co., Ltd	78,355,996.00	78,355,996.00
GW Bank	25,177,843.32	25,177,843.32
Sichuan Yibin Yili Group Hengjiang Power Generation Co., Ltd	20,000,000.00	

Items	Ending Balance	Beginning Balance
Beijing Aluminum Energy Fresh Environment Technology Co., Ltd	16,683,678.16	
Sichuan Juxin Development Equity Investment Co.	9,800,000.00	9,800,000.00
Mianyang Commercial Bank Co., Ltd	7,770,000.00	
Guangyuan Xingchcan Jinya Enterprise Management Center (limited partnership)	7,688,000.00	7,688,000.00
Chengdu Shuangnan Square Construction and Development Co., Ltd	4,539,042.00	
Xiangcheng Mayi River Hydro-electricity Resource Development Co	4,048,502.93	4,048,502.93
Sichuan Guotou Asset Trusteeship Co.	2,600,000.00	2,600,000.00
Jiulong Fuchuan Hydro-electricity Resource Development Co.	2,560,000.00	1,920,000.00
Sichuan Galaxy Chemical Co.	1,798,941.56	1,798,941.56
Sichuan Hongji Construction Engineering Co., Ltd	600,000.00	700,000.00
Sichuan Jinyangshanmugou Electric power Development	600,000.00	1,600,000.00
Sichuan Tianhua Co.	1,337.00	1,337.00
Sichuan Nanbu Hongyanzi Electric Power Co.		7,772,271.18
Sichuan Xinyuan Mining Co.		1,800,000.00
Yibin Emerging Industry Development Investment Fund Management Co.		560,000.00
Total	**182,223,340.97**	**143,822,891.99**

3. Other receivables

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Individually significant other receivablesfor which provision for bad debts is made individually	20,236,211,847.08	1,313,580,294.98	14,847,362,799.24	2,054,918,450.64
Other receivable for which provisionfor bad debts is made by combination	——	——	——	——
Receivable construction in-progress deposit combination *7	-	-	2,576,878,903.76	
Receivable entrusted loan and interest combination	235,320,827.67	151,830,466.67	1,113,482,766.06	155,295,300.00
Receivable related party combination	4,901,952,948.35	433,218,651.03	3,292,412,641.23	443,497,341.75
Aging combination	6,263,398,016.85	3,815,043,702.23	11,200,848,485.68	4,553,465,142.91
Provision combination	67,649,286.17	2,300,529.12	91,273,761.65	-

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
ECL losses model	6,917,211,750.57	904,742,692.77		
Subtotal	18,385,532,829.61	5,307,136,041.82	18,274,896,558.38	5,152,257,784.66
Individually insignificant other receivables for which provision for bad debts is made individually	8,633,086,695.95	1,160,613,571.32	10,444,090,249.39	1,250,881,157.42
Total	**47,254,831,372.64**	**7,781,329,908.12**	**43,566,349,607.01**	**8,458,057,392.72**

(1) Other receivables with bad debt provision made on aging combination

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year	1,885,623,621.81	87,708,559.44	4,057,755,945.76	32,761,771.77
1-2 years	150,976,992.54	20,142,470.27	1,044,283,964.05	68,175,536.69
2-3 years	198,876,483.84	44,102,016.08	1,221,166,413.50	205,309,074.25
3-4 years	441,413,066.88	212,522,702.54	662,384,716.41	283,270,320.03
4-5 years	205,102,829.27	140,766,243.04	817,096,342.66	571,146,614.57
Over 5 years	3,381,405,022.51	3,309,801,710.86	3,398,161,103.30	3,392,801,825.60
Total	**6,263,398,016.85**	**3,815,043,702.23**	**11,200,848,485.68**	**4,553,465,142.91**

(2) Receivables of related parties' combination: see details in Note XI (3)

(3) Other receivables with individual year-end value over RMB 0.1 billion and bad debt provision made on individual basis

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Funds appropriated on behalf of Department of Finance of Sichuan	5,091,545,405.00	-	-	Note 1
Sichuan Development Investment Co.	2,177,813,922.80			Expected to collect
Hubei Jingyi Expressway Co., Ltd	1,958,882,508.58	-	-	Expected to collect
Sichuan Chemical Holding (Group) Co., Ltd.	1,942,309,705.93	3,674,138.63	0.19	Based on expected loss
Sichuan Port and Channel Development Co., Ltd	1,288,000,733.33	-	-	Expected to collect
Sichuan Yibin Yili Group Hengjiang Power Generation Co., Ltd	968,525,589.59	-	-	Expected to collect

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Department of Finance of Sichuan	632,228,701.05	324,171,038.36	51.27	Based on expected loss
Tibet Huiren Investment Consulting Co., Ltd	600,000,000.00	-	-	Expected to collect
Luzhou Xingyang Investment Group Co., Ltd	590,000,000.00	-	-	Expected to collect
Local communications bureaus in the province	533,196,182.52	533,196,182.52	100.00	Based on expected loss
Dazhou Expressway Construction Coordination Leading Group Office	375,125,815.00	-	-	Expected to collect
Shehong State-owned Assets Management Group Co., Ltd	300,000,000.00	-	-	Expected to collect
Sichuan Shuyu Mining Investment Co., Ltd	225,500,000.00	11,275,000.00	5.00	Based on expected loss
Bada road Bazhou District land acquisition and demolition Coordination Leading Group Office	206,716,800.00	-	-	Expected to collect
Office of construction coordination leading group of Pingchang section of Bada Road	206,114,000.00	-	-	Expected to collect
Yibin state owned Assets Management Co., Ltd	190,000,000.00	-	-	Expected to collect
Jinniu Hotel of Sichuan Provincial People's Government	180,000,000.00	-	-	Expected to collect
Shenzhen Xinjingjue Technology Co., Ltd	152,867,700.00	152,867,700.00	100.00	Based on expected loss
Chengdu Shuangliu High Frequency (Group) Co., Ltd	151,020,603.36	151,020,603.36	100.00	Based on expected loss
Chengdu Gravitation Real Estate Co., Ltd	111,000,000.00	25,451,762.11	22.93	Based on expected loss
Sichuan Meihao Group	108,340,000.00	1,830,000.00	1.69	Based on expected loss
Sichuan Chemical Holding (Group) Co., Ltd	193,368,533.00	53,393,870.00	27.61	Based on expected loss
Beijing New Space Technology Co., Ltd	100,000,000.00	-	-	Based on expected loss

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Yibin Cuiping District State Owned Assets Management Co., Ltd	100,000,000.00	-	-	Expected to collect
China Nuclear Industry Zhongyuan Construction Co., Ltd	100,000,000.00	5,000,000.00	5.00	Expected to collect
Sichuan Kangding Airport Group Co., Ltd	100,000,000.00	-	-	Based on expected loss
Sichuan Furun Enterprise Restructuring Investment Co., Ltd	100,240,000.00	-	-	Expected to collect
South Sichuan Intercity Railway Co., Ltd	208,384,396.80	-	-	Expected to collect
Pingyuan industry	150,860,656.89	51,700,000.00	34.27	Expected to collect
Sichuan Lianle Railway Co., Ltd	1,194,170,593.23	-	-	Based on expected loss
Total	**20,236,211,847.08**	**1,313,580,294.98**		

* Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its documents to support the development of enterprises within the province. Settlement is made with the Department of Finance after the completion of all appropriations.

(4) Other insignificant individual large-amount receivables as of the end of the year but with bad debt provision made on individual basis

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Zhang Ming Note1	97,918,505.41	97,918,505.41	100.00	Expected to be uncollected
China Agricultural Development Key Construction Fund Co., Ltd	93,277,777.78	-	-	Expected to be collected
Chengdu Heyifengmao Trading Co.	83,783,655.60	80,593,573.52	96.19	Based on expected loss
Dafang jinruiyuan Real Estate Co., Ltd	80,002,000.00	-	-	Expected to be collected
Sichuan Hengshunyu Trading Co., Ltd	68,000,000.00	-	-	Expected to be collected
Mianning County Finance Bureau Treasury Payment Center	54,587,890.11	-	-	Expected to be collected
Sichuan Coal Industry Group Limited Liability Company	52,521,260.00	25,000,000.00	47.60	Based on expected loss

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Huatai Securities (Shanghai) Asset Management Co., Ltd	51,379,211.71	-	-	Expected to be collected
Xuzhou State-Owned Assets Management Co., Ltd	50,000,000.00	-	-	Expected to be collected
Government of Mianning	22,206,600.00	-	-	Expected to be collected
Ping An International Financial Leasing Co., Ltd	22,200,000.00	-	-	Expected to be collected
Weihai Huayuan biomass thermal power Co., Ltd	20,618,300.00	-	-	Expected to be collected
Luzhou Lianqiang Construction Engineering Co., Ltd	20,500,000.00	-	-	Expected to be collected
Yibin Tianke Coal Chemical Co., Ltd	20,000,000.00	20,000,000.00	100.00	Expected to be uncollected
Chengdu Youmaijia Trade Co., Ltd	20,000,000.00	-	-	Expected to be collected
Chengdu Xinhua Mao material Trade Co., Ltd	19,100,000.00	19,100,000.00	100.00	Expected to be uncollected
Chengdu Yanghua Trade Co., Ltd	19,000,000.00	19,000,000.00	100.00	Based on expected loss
Nahsbc Power	18,632,979.31	18,632,979.31	100.00	Expected to collect
Pingwu Electric Chemical Plant	16,809,081.67	16,809,081.67	100.00	Expected to be uncollected
Everbright Financial Leasing Co., Ltd	16,200,000.00	-	-	Expected to be collected
China Construction Sixth Engineering Bureau Construction Development Co., Ltd	16,088,396.16	-	-	Expected to be collected
Chengdu Tongchengtai Electric Co., Ltd	16,035,050.00	16,035,050.00	100.00	Expected to be uncollected
Zhang Li	15,696,386.00	15,696,386.00	100.00	Expected to be uncollected
Sichuan Shaqi Industry Co., Ltd	15,500,000.00	15,500,000.00	100.00	Expected to be uncollected
Nanchong Wanshi Hengtong commercial trade Co., Ltd	15,000,000.00	-	-	Expected to be collected
Chengdu Ruiyi Car Rental Co., Ltd	14,000,000.00	-	-	Expected to be collected
Pingwu Xiongsheng Technology Development Co., Ltd	11,140,719.98	11,140,719.98	100.00	Expected to be uncollected
Jiangkou Fanyue Cultural Tourism Development Co., Ltd	10,000,000.00	200,000.00	2.00	Based on expected loss

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Chengdu Huagaoruitian Technology Co., Ltd	50,353,304.55	50,353,304.55	100.00	Expected to be uncollected
Shanghai Yuanyin Metal Co., Ltd	10,125,266.09	300,496.13	2.97	Based on expected loss
Yunnan Lilai Investment Co., Ltd	23,404,158.13	4,775,100.00	20.40	Based on expected loss
Hongya Chengdong Power Station	17,548,206.00	17,548,206.00	100.00	Expected to be uncollected
Mianyang Transportation Bureau	58,407,017.42	12,248,815.92	20.97	Based on expected loss
Chengdu Intermediate People's court	54,465,900.00	-	-	Expected to be collected
Shenzhen Qianghe Industry Co., Ltd	47,640,000.00	-	-	Expected to be collected
Sichuan Zhonghan Solar Power Co., Ltd	40,210,983.60	-	-	Expected to be collected
Chengdu Railway Bureau court	30,000,000.00	-	-	Expected to be collected
Guanghan Zhongding Engineering Project Management Co., Ltd	74,160,200.00	44,693,700.00	60.27	Based on expected loss
Leshan Land Reserve Center	52,260,963.42	52,260,963.42	100.00	Expected to be uncollected
Xingyuan Company (transferred from capital construction)	10,066,700.00	10,066,700.00	100.00	Expected to be uncollected
Sichuan Agricultural Reclamation Development Company	14,251,371.23	-	-	Expected to be collected
Sichuan Nongken copper material factory	12,469,900.00	-	-	Expected to be collected
Sichuan State-owned Agricultural Industry and Commerce Union Co., Ltd	43,864,860.00	-	-	Expected to be collected
Sichuan Xuda Railway Co., Ltd	31,163,326.61	-	-	Expected to be collected
Chengdu UBS Han'an urbanization Investment Center (limited partnership)	53,237,774.55	-	-	Expected to be collected
Others(sum of the amount individually lower than RMB 10 million)	7,049,258,950.62	612,739,989.41	8.69	Based on expected loss
Total	**8,633,086,695.95**	**1,160,613,571.32**		——

Note1: Zhang Ming was a shareholder of Sichuan Sunfor Light Co., Ltd. Sichuan Sunfor Light Co., Ltd. filed a lawsuit on January 18, 2017 to Chengdu City Intermediate People's court, and frozen Zhang Ming’s holdings of 16.0297 million shares in Sichuan Sunfor Light Co., Ltd. According to the lawyer, Zhang Ming's existing enforceable property is only equity held by him, several creditors, including Sichuan Sunfor

Light Co., Ltd, has taken action to adopt preservation measures, and the litigation claims of several creditors are likely to be supported by the courts, the sum of money determined by the legal instrument will be much higher than the value of the equity held by Zhang Ming, Zhang Ming's property is out of debt. Therefore, provision for bad debts is provided for the full amount of the debt.

(5) Provisions made by ECL losses models are the provisions made by the subsidiaries which have adopted New Financial Standards, receivable construction in-progress deposit combination was included in the ECL losses models.

(6) Top 5 other account receivable in order of ending balance of debtors

Debtor	Nature	Book balance	Age	Percentage of total other account receivables（%）	Bad debt provision
Payment made on behalf of the Finance Department of Sichuan Province	Delegated appropriated payment	5,091,545,405.00	4-5 years	10.77	
Sichuan Development Investment Co.	Loan	2,177,813,922.80	Within 1 year	4.61	
Hubei Jingyi Expressway Co., Ltd	Repayment of debt	1,958,882,508.58	Within 1 year	4.15	
Sichuan Chemical Holding (Group) Co., Ltd..	Loan, Construction receivables	1,942,309,705.93	0-4 years, over 5 years	4.11	3,674,138.63
Jiuzhaigou Hongyi Investment Co., Ltd	Loan	1,406,204,567.83	Within 4 years	2.98	23,350,275.06
	Total	**12,576,756,110.14**		**26.61**	**27,024,413.69**

8. Inventories

Item	Ending Balance		
	Book balance	Provision for decline in value	Carrying amount
Raw materials	2,606,641,703.61	83,389,464.53	2,523,252,239.08
Self-made semi-finished products and products in process	4,071,040,384.28	13,330,415.02	4,057,709,969.26
Merchandise inventory	4,243,675,975.36	281,304,616.18	3,962,371,359.18
Goods shipped in transit	472,463,186.42	1,156,532.13	471,306,654.29
Revolving materials	500,649,055.85	896,797.52	499,752,258.33
Consumable biological assets	37,202,513.26	5,691,268.85	31,511,244.41
Engineering construction	19,375,883,340.79	93,797,111.70	19,282,086,229.09

Item	Ending Balance		
	Book balance	Provision for decline in value	Carrying amount
Developed products	8,927,594,511.63	55,892,608.42	8,871,701,903.21
Development Cost	29,469,211,208.47		29,469,211,208.47
Others	103,747,253.19	2,482,321.72	101,264,931.47
Total	**69,808,109,132.86**	**537,941,136.07**	**69,270,167,996.79**

(Continued)

Item	Beginning Balance		
	Book balance	Provision for impairment	Carrying amount
Raw materials	1,677,980,862.57	37,118,313.41	1,640,862,549.16
Self-made semi-finished products and products in process	1,226,616,112.28	10,077,746.46	1,216,538,365.82
Merchandise inventory	3,735,665,639.98	247,028,606.98	3,488,637,033.00
Goods shipped in transit	270,246,327.44	97,553.53	270,148,773.91
Revolving materials	482,007,362.69	532,488.87	481,474,873.82
Consumable biological assets	13,179,147.20		13,179,147.20
Engineering construction	17,971,954,829.27	72,143,687.78	17,899,811,141.49
Developed products	4,814,880,045.23	139,512,434.01	4,675,367,611.22
Development Cost	28,194,881,104.40		28,194,881,104.40
Others	983,889,813.29	23,392,826.20	960,496,987.09
Total	**59,371,301,244.35**	**529,903,657.24**	**58,841,397,587.11**

Completed and unsettled assets formed by construction contract at the end of the year

Item	Ending balance
Accumulated cost incurred	191,838,734,069.86
Accumulated recognized gross profit	17,795,498,210.31
Less: estimated loss	93,797,111.70
Settled amount	190,164,551,827.68
Completed and unsettled assets formed by construction contract	**19,375,883,340.79**

9. Non-current assets due within one year

Item	Carrying value at the end of the year		Carrying value at the beginning of the year	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term entrusted loans	3,474,368,058.46	283,543,540.37	2,475,669,744.89	39,256,227.60
BOT and BT project receivables	450,482,359.41		621,045,929.69	
Compensation	8,477,654.62		7,441,761.43	
Debts available for sales	335,125,000.00		1,038,585,000.00	
Long-term debt investment	3,063,277,353.74	142,825,633.88	4,500,606,442.81	16,723,448.02
Installment financing leases to be recovered in 2019	2,190,820,756.52		1,857,986,504.86	
Total	**9,522,551,182.75**	**426,369,174.25**	**10,501,335,383.68**	**55,979,675.62**

10. Other current assets

Item	Ending Balance	Beginning Balance
Advance tax payment	418,653,654.56	402,835,442.01
Input tax will be deducted	5,153,983,154.31	2,794,958,874.01
Bank financial products	8,213,076,507.23	10,321,128,380.67
Entrusted Loan	3,820,966,062.12	2,835,861,699.03
Less：impairment provision	510,469,034.82	528,100,141.54
Others	736,845,555.63	1,666,325,536.43
Total	**17,833,055,899.03**	**17,493,009,790.61**

11. Loans and advances

(1)Distribution of loans and advances by individual and enterprise

Item	Ending Balance	Beginning Balance
Personal loans and advances	2,979,801,147.89	3,275,957,375.42
Including: Credit card	195,921,106.66	716,000.00
Home mortgage	1,223,833,145.06	1,399,857,402.41
Other	1,560,046,896.17	1,875,383,973.01
Corporate loans and advances	4,086,746,193.61	4,257,318,288.52
Including: Loans	4,086,746,193.61	4,099,178,161.15
Discount		
Other		158,140,127.37
Total of loans and advances	**7,066,547,341.50**	**7,533,275,663.94**
Less: loan loss provision	237,062,083.75	242,113,078.32

Item	Ending Balance	Beginning Balance
Including: provision made on individual basis		
provision made on combination basis	237,062,083.75	242,113,078.32
Carrying amount of loans and advances	**6,829,485,257.75**	**7,291,162,585.62**

(2) Distribution of loans and advances by security mode

Item	Ending Balance	Beginning Balance
Fiduciary loans	251,589,442.28	318,964,404.87
Secured loans	971,122,745.58	778,895,439.57
Loans with security	5,843,835,153.64	6,435,415,819.50
Including: mortgage loans	4,617,996,147.61	4,939,464,342.85
Pledge loans	1,225,839,006.03	1,495,951,476.65
Total of loans and advances	**7,066,547,341.50**	**7,533,275,663.94**
Less: loan loss provision	237,062,083.75	242,113,078.32
Including: provision made on individual basis		
Provision made on combination basis	237,062,083.75	242,113,078.32
Carrying amount of loans and advances	**6,829,485,257.75**	**7,291,162,585.62**

(3) Loan loss provision

Item	Amount for the year		Amount for previous year	
	Individual	Group	Individual	Group
Beginning balance		**242,113,078.32**	**27,226,014.71**	**203,770,981.99**
Provision for the year		-4,496,311.19	-9,115,502.76	38,507,330.12
Turnout for the year		554,683.38	18,110,511.95	165,233.79
Write-off for the year				
Write-back for the year				
-Write-back resulting from recovery of loans and advances originally written off				
-Write-back resulting from increase of discounted value of loans and advances				
-Write-back resulting from other factors				
Ending balance	-	**237,062,083.75**	-	**242,113,078.32**

12. Financial assets available-for-sale

1. the detail of financial assets available-for-sale

Item	Ending balance		
	Original value	**Provisions**	**Carrying amount**
Bonds available-for-sale	2,000,717,877.90	13,260,000.00	1,987,457,877.90
Equity investments available-for-sale	47,123,843,579.29	537,481,269.96	46,586,362,309.33
Including: Measured at fair value	7,347,902,632.37		7,347,902,632.37
Measured at cost	39,784,089,847.46	537,481,269.96	39,246,608,577.50
Others	1,340,786,677.63		1,340,786,677.63
Total	**50,465,348,134.82**	**550,741,269.96**	**49,914,606,864.86**

Continued

Item	Beginning balance		
	Original value	**Provisions**	**Carrying amount**
Bonds available-for-sale	2,641,893,157.00	19,968,500.00	2,621,924,657.00
Equity investments available-for-sale	26,817,271,034.09	534,635,233.16	26,282,635,800.93
Including: Measured at fair value	1,437,458,772.61		1,437,458,772.61
Measured at cost	25,379,812,261.48	534,635,233.16	24,845,177,028.32
Others	1,017,368,523.31		1,017,368,523.31
Total	**30,476,532,714.40**	**554,603,733.16**	**29,921,928,981.24**

Description of major increase and change in this year:

*1. The new increase in this period is mainly that the Company, Energy Investment Group and Financial Holding Group participate in the subscription of Sichuan state-owned enterprise reform ETF fund and its feeder fund (hereinafter referred to as "ETF fund") in accordance with the requirements of Sichuan SASAC document Notice on Matters Related To Subscription of Sichuan State Owned Enterprise Reform ETF Fund (SASAC [2019] No. 39). The subscription amount reached 1.964 billion.

*2. The increase in the current period is mainly due to the contribution of 10.97 billion by the investment group to Sichuan Port and Channel Investment Group Co., Ltd. (hereinafter referred to as " Port and Channel Co.") in accordance with the Reply of Sichuan SASAC on The Contribution To The Investment Of Port and Channel Investment Group Co., Ltd. (CGZG [2019] No. 28), with a shareholding ratio of 90.72%. According to the articles of association of the Hong Kong Investment Group, the group is directly operated and managed by the SASAC and the provincial government. The investment group only performs

the obligation of capital contribution and cannot control the group. Therefore, it is not included in the scope of consolidation and measured by the cost method of available for sale financial assets

2. Large unit with a year-end amount of 1 billion or more

Item	Measurement	Amounts at the end of the year
Sichuan Hebang Biotech Co., ltd	Fair value	1,046,377,053.08
ETF fund	Fair value	2,044,371,690.66
Investment Of Port and Channel Investment Group Co., Ltd.	Cost	10,970,418,951.47
Bank of Communications International Trust Co., ltd	Cost	3,320,000,000.00
Dacheng Railway Co., ltd	Cost	2,625,129,287.35
South Sichuan Intercity Railway Co., Ltd	Cost	1,912,000,000.00
Panzhihua Fengyuan Mining Co., ltd	Cost	1,000,000,000.00
Less: provision for impairment of financial assets available-for-sale	Cost	243,987,800.00
Total		**22,674,309,182.56**

13. Held-to-maturity investments

1. Details of held-to-maturity investments

Item	Ending Balance		
	Original amount	Provisions	Carrying amount
Convertible bond	100,000,000.00		100,000,000.00
Non public directional debt financing instrument *1	1,430,000,000.00		1,430,000,000.00
Others *2	600,095,400.00	3,044,000.00	597,051,400.00
Total	**2,130,095,400.00**	**3,044,000.00**	**2,127,051,400.00**

(Continued)

Item	Beginning Balance		
	Original amount	Provisions	Carrying amount
Convertible bond	100,000,000.00		100,000,000.00
Non public directional debt financing instrument	440,091,682.09		440,091,682.09
Others	3,000,000.00	3,000,000.00	
Dollar bonds	67,514,604.89		67,514,604.89
Treasury bond investment	95,400.00		95,400.00
Total	**610,701,686.98**	**3,000,000.00**	**607,701,686.98**

*1 Credit Enhancement Co. new bond investment in the current period is RMB 1,430 million.

*2 The increase in this year is mainly due to the purchase of 800 million principal creditor's rights and its interest and case acceptance fee enjoyed by Chengdu Branch of Industrial Bank by Energy Investment Group for Sichuan Chemical Holding Group Co., Ltd., with a purchase price of 565 million.

14. Long-term receivables

Item	Ending Balance		Beginning Balance	
	Balance	Provision for impairment	Balance	Provision for impairment
Sale of goods by installment	377,200,424.99	2,934,404.94	293,551,205.62	2,322,153.90
Provide services by installment	435,827,587.99		410,215,419.81	
Financial Leasing	6,201,276,317.82	225,352,499.84	5,234,478,154.32	209,535,337.79
Long-term entrusted loan	9,440,241,136.43	14,309,970.56	11,204,194,330.06	747,830,949.90
BOT and BT receivables	3,964,112,241.33	39,481,107.86	3,715,772,831.79	34,750,000.00
PPP project*1	14,841,998,360.86		10,081,145,833.06	
Special funds for Shanty Rebuild*2	47,488,720,757.66		51,516,941,402.38	
Bad creditor’s rights acquisition	1,552,000,000.00		1,294,779,893.31	
Construction and land acquisition and demolition	7,045,615,589.60		2,378,496,915.19	
Others*3	2,860,098,897.39	302,667,298.90	3,070,124,201.68	286,498,145.78
Total	**94,207,091,314.07**	**584,745,282.10**	**89,199,700,187.22**	**1,280,936,587.37**

*1. Mainly the receivables from PPP projects of Sichuan Railway Investment Group Co, Ltd.

*2. Special funds for Shanty Rebuild are the loan Sichuan Rural Investment obtained from China Development Bank. The interest rate is 10% lower than the bank benchmark interest rate of the same period. The Company signed Three Parties Agreement for Fund Use with local government and government companies; the fund is deposited in the special account of government companies and specifically used for reconstruction of shed area project. The Company charges management fees at 0.4% of the loan per year from local municipal government.

*3. Others are mainly pay for the projects in advance

15. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Investment in subsidiaries	136,185,297.75		104,403,480.60	31,781,817.15
Investment in joint ventures	2,846,483,166.38	737,049,561.98	860,341,900.66	2,723,190,827.70
Investments in associates	70,784,382,379.12	26,578,313,705.32	16,612,537,444.93	80,750,158,639.51
Sub-total	**73,767,050,843.25**	**27,315,363,267.30**	**17,577,282,826.19**	**83,505,131,284.36**
Less: provision for impairment of long-term equity investment	227,397,767.87	1,167,073.60	95,399,759.06	133,165,082.41
Total	**73,539,653,075.38**	**27,314,196,193.70**	**17,481,883,067.13**	**83,371,966,201.95**

(2) Details of major long-term equity investments

Name of investee	Investment cost	Beginning balance	The changes during the year			
			Increase during the year	Decrease during the year	Investment gains or losses under equity method	Other comprehensive income
1. Joint ventures						
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.	1,009,511,400.00	841,391,400.00	168,120,000.00			
2.Associates						
Sichuan Airport Group Co.	4,925,114,004.77	17,335,396,460.39	49,610,159.84		54,447,413.34	
Shenwan Hongyuan Group Co., Ltd	5,442,791,183.72	6,012,109,722.97			286,197,078.33	
Sichuan Changning Natural Gas Development Co., Ltd	2,250,000,000.00	1,329,144,013.59	1,350,000,000.00		274,558,604.08	
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd	4,800,000,000.00	3,600,000,000.00	1,200,000,000.00			
China Changjiang Power Co., Ltd	10,630,400,000.00	11,937,468,955.43			861,739,745.42	16,271,008.53
Beijing Huading New Power Equity Investment Fund (limited partnership)	4,969,380,631.00	4,626,526,945.05	907,477,400.00		-87,036,010.76	727,892,389.57
Sichuan Airlines Co., Ltd	400,000,000.00	1,889,831,469.98			52,282,883.96	
Sichuan Kangding Airport Group Co., Ltd	1,486,717,789.77				-111,284,624.37	
Sichuan Ba Guang Yu Expressway Development Co., Ltd	1,987,478,201.68				-40,661,145.78	
China Merchants Road Network Technology Holding Co., Ltd	3,000,000,000.00	3,294,056,315.04			275,708,773.74	

Name of investee	Investment cost	Beginning balance	The changes during the year			
			Increase during the year	Decrease during the year	Investment gains or losses under equity method	Other comprehensive income
Tianjin Rural Commercial Bank Co., Ltd	2,549,565,650.02	2,549,565,650.02			220,037,844.35	
Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)	3,000,000,000.00		3,000,000,000.00		917,735.71	
Chengdu Industrial Investment Assets Management Co., Ltd	226,756,000.00		226,756,000.00			
Total	**46,677,714,860.96**	**53,415,490,932.47**	**6,901,963,559.84**		**1,786,908,298.02**	**744,163,398.10**

Continued

Name of investee	The changes during the year				Ending balance	Balance of provisions
	Changes of other equity	Declaration of cash dividends or profits	Provisions	Others*		
1. Joint ventures						
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.					1,009,511,400.00	
2. Associates						
Sichuan Airport Group Co.	-10,069,589,108.44	45,530,857.67			7,324,334,067.46	
Shenwan Hongyuan Group Co., Ltd	330,660,534.55	56,227,181.65			6,572,740,154.20	
Sichuan Changning Natural Gas Development Co., Ltd	5,228,859.91	103,907,474.27			2,855,024,003.31	

Name of investee	The changes during the year				Ending balance	Balance of provisions
	Changes of other equity	Declaration of cash dividends or profits	Provisions	Others*		
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd					4,800,000,000.00	
China Changjiang Power Co., Ltd	2,752,424.80	598,400,000.00			12,219,832,134.18	
Beijing Huading New Power Equity Investment Fund (limited partnership)					6,174,860,723.86	
Sichuan Airlines Co., Ltd	44,909,619.34	9,410,888.45		-291,905.42	1,977,321,179.41	
Sichuan Kangding Airport Group Co., Ltd	1,686,127,562.34			1,486,717,789.77	3,061,560,727.74	
Sichuan Ba Guang Yu Expressway Development Co., Ltd				1,987,478,201.68	1,946,817,055.90	
China Merchants Road Network Technology Holding Co., Ltd		100,000,000.00			3,469,765,088.98	
Tianjin Rural Commercial Bank Co., Ltd		82,390,000.00			2,687,213,494.37	
Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)					3,000,917,735.71	
Chengdu Industrial Investment Assets Management Co., Ltd				1,003,922,270.73	1,230,678,270.73	
Total	**-7,999,910,107.50**	**995,866,402.04**		**4,477,826,356.76**	**58,330,576,035.85**	

* Description of major items in other items of increase and decrease in the current period

1. Sichuan Kangding Airport Group Co., Ltd (hereinafter referred to as Kangding Airport), pursuant to the Reply to The Plan of Sichuan Aviation Group Co., Ltd. for Restructuring Sichuan Kangding Airport Group Co., Ltd issued by Sichuan SASAC, Aviation Group obtained 70% of the shares of Kangding airport which was gratuitously transferred by the state-

owned SASAC of Ganzi. Aviation group confirmed the investment cost of 1,486,717.8 thousand at 70% of the net assets attributable to the parent company totaling 2,123,882,600 in the book of Kangding airport on March 31, 2019.

2. After disposing 59.43% of the shares of Sichuan Baguangyu Expressway Development Co., Ltd. held by Railway Investment Group this year, Railway Investment Group will no longer control it, and the remaining shares of Sichuan Baguangyu Expressway Development Co., Ltd. will be accounted by equity method.

3. According to the deliberation of the 11th (temporary) shareholders' meeting of Sichuan Development Asset Management Co., Ltd. (hereinafter referred to as Asset Management Co.) in 2019, it is agreed to increase the investment of 227 million in the same proportion to the Chengdu Industrial Investment Assets Management Co., Ltd, (hereinafter referred to as Industrial Investment Co. and it is decided to hold the equity for a long time, share the income with the shareholding ratio of Chengdu Industrial Investment Group Co., Ltd. (formerly Chengdu Industrial Investment Group Co., Ltd. (hereinafter referred to as Industrial Investment Group), and share the risks together. On December 13, 2019, Asset Management Co. signed the *Capital Increase Agreement* with the Industrial Investment Group and the Industrial Investment Co., increasing the capital to Industrial Investment Co. in the same proportion at the price of 1 yuan / share according to the shareholding ratio. Asset Management Co. increased the capital by 226,756 thousand according to the proportion, and the shareholding ratio of Asset Management to the Industrial Investment Co. remained 33.20%. In view of the change of holding intention of Asset Management Co. for equity investment in Industrial Investment Co. and the significant impact on financial and operational policies of Industrial Investment Co. but not control, according to the relevant provisions of accounting standards for Business Enterprises No. 2 - Long Term Equity Investment, Asset Management Co. changed the equity investment in Industrial Investment co. from the original available for sale financial assets to long-term equity investment according to the Equity Method Accounting. The fair value of the original available for sale financial assets on the conversion date is 1,011.3903 million, which is converted into the initial cost of long-term equity investment.

(3) Financial information of major joint ventures and associates (unit: RMB ‘0000’)

Item	Amount during this year						
	Sichuan Airport Group Co.	Shenwan Hongyuan Group Co., Ltd	Beijing Huading New Power Equity Investment Fund (limited partnership)	Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd	Sichuan Changning Natural Gas Development Co., Ltd	China Changjiang Power Co., Ltd	Sichuan Airlines Co., Ltd
Current assets	7,372,047,551.65		35,682,515.34	1,593,074,877.36	581,404,626.63	11,035,146,722.44	5,178,706,462.39
Non-current assets	47,880,170,659.56		4,738,118,628.00	144,491,921,296.79	8,641,483,130.47	285,447,734,318.45	30,636,897,887.80
Total assets	55,252,218,211.21	388,537,264,595.61	4,773,801,143.34	146,084,996,174.15	9,222,887,757.10	296,482,881,040.89	35,815,604,350.19
Current liability	4,468,884,926.71		77,377,207.70	2,542,996,174.15	2,204,180,753.08	55,958,549,831.05	12,748,240,463.44
Non-current liability	8,954,482,349.71			111,542,000,000.00	2,588,226,958.70	90,508,364,684.86	17,972,304,561.78
Total liability	13,423,367,276.42	303,705,857,701.99	77,377,207.70	114,084,996,174.15	4,792,407,711.78	146,466,914,515.91	30,720,545,025.22
Net assets attributed to the parent company	39,784,541,376.76	81,580,972,734.06	4,696,423,935.64	32,000,000,000.00	4,430,480,045.32	150,015,966,524.98	5,095,059,324.97
Net assets by shareholding percentage	7,324,334,067.46	4,070,890,539.43	4,559,288,356.72	4,800,000,000.00	1,329,144,013.60	6,000,638,661.00	2,038,023,729.99
Adjustments		2,501,849,614.77	-494,582,907.56		-7,239,678.41	6,219,193,473.18	
Book value of equity investments in associates	7,324,334,067.46	6,572,740,154.20	4,064,705,449.16	4,800,000,000.00	1,321,904,335.19	12,219,832,134.18	2,038,023,729.99
Operating revenue	4,357,845,498.37	24,593,411,762.73			2,081,525,413.65	49,874,086,874.95	25,865,272,698.86
Financial expense	56,938,614.82		-162,596.85		-6,089,792.22	5,210,950,725.28	872,321,040.67
Corporate income tax expense	102,371,526.68	-1,123,890,281.19			153,577,010.65	5,059,564,654.60	29,315,250.03

Item	Amount during this year						
	Sichuan Airport Group Co.	Shenwan Hongyuan Group Co., Ltd	Beijing Huading New Power Equity Investment Fund (limited partnership)	Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd	Sichuan Changning Natural Gas Development Co., Ltd	China Changjiang Power Co., Ltd	Sichuan Airlines Co., Ltd
Net profit contributed to the Company	295,749,121.90	5,735,412,391.33	-64,849,036.09		692,716,495.14	21,567,447,100.19	121,182,489.02
Other comprehensive income			697,368,580.00			407,999,197.81	
Total comprehensive income	295,749,121.90	7,002,226,118.60	632,519,543.91		692,716,495.14	21,975,446,298.00	121,182,489.02
Dividends received from joint ventures	45,530,857.67	56,227,181.65			103,907,474.27	598,400,000.00	9,410,888.45

Continued

Item	Amount during this year						
	Sichuan Kangding Airport Group Co., Ltd	Sichuan Ba Guang Yu Expressway Development Co., Ltd	Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.	China Merchants Road Network Technology Holding Co., Ltd	Tianjin Rural Commercial Bank Co., Ltd	Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)	Chengdu Industrial Investment Assets Management Co., Ltd
Current assets	162,690,094.77	3,272,497,905.66	926,907,189.61	10,880,161,420.29	55,721,655,000.00	4,011,537,008.32	661,957,882.03
Non-current assets	5,314,397,234.76	17,839,194,729.64	10,739,717,186.33	80,033,047,141.63	263,960,953,000.00		4,691,272,182.05
Total assets	5,477,087,329.53	21,111,692,635.30	11,666,624,375.94	90,913,208,561.92	319,682,608,000.00	4,011,537,008.32	5,353,230,064.08
Current liability	859,617,618.61	845,281,660.10	215,035,610.55	11,180,836,135.37	290,577,279,000.00		401,445,688.20
Non-current liability	243,317,235.45	15,929,167,049.20	9,191,817,597.39	25,794,290,104.30		4,383.56	1,063,821,086.39
Total liability	1,102,934,854.06	16,774,448,709.30	9,406,853,207.94	36,975,126,239.67	290,577,279,000.00	4,383.56	1,465,266,744.59
Net assets attributed to the parent company	4,374,152,475.47	4,337,243,926.00	2,259,771,168.00	53,938,082,322.25	29,105,329,000.00	4,011,532,624.76	3,887,963,289.49
Net assets by shareholding percentage	3,061,906,732.83	1,759,619,860.78	946,618,142.28	3,435,855,843.93	2,642,763,873.20	2,402,105,735.71	1,290,803,812.11
Adjustments		187,197,195.12	62,893,257.72	33,909,245.05	44,449,621.17	598,812,000.00	-60,125,541.38
Book value of equity investments in associates	3,061,906,732.83	1,946,817,055.90	1,009,511,400.00	3,469,765,088.98	2,687,213,494.37	3,000,917,735.71	1,230,678,270.73
Operating revenue	56,640,708.80	269,053,420.28		8,185,073,878.50	8,519,186,000.00	1,537,008.32	114,564,944.60
Financial expense	7,890,203.43	644,896,400.84		949,354,500.43			39,814,439.65
Corporate income tax expense	28,073.50			471,549,548.78	-763,917,000.00		28,402,911.73

Item	Amount during this year						
	Sichuan Kangding Airport Group Co., Ltd	Sichuan Ba Guang Yu Expressway Development Co., Ltd	Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.	China Merchants Road Network Technology Holding Co., Ltd	Tianjin Rural Commercial Bank Co., Ltd	Sichuan Capital Market Rescue And Development Securities Investment Fund Partnership (limited partnership)	Chengdu Industrial Investment Assets Management Co., Ltd
Net profit contributed to the Company	-208,182,106.33	-498,880,662.35		4,865,196,793.98	2,457,432,000.00	1,532,624.76	439,179,581.31
Other comprehensive income				122,534,066.88	-120,617,000.00		-20,347,228.71
Total comprehensive income	-208,182,106.33	-498,880,662.35		4,987,730,860.86	2,336,815,000.00	1,532,624.76	418,832,352.60
Dividends received from joint ventures				100,000,000.00	82,390,000.00		

(4) Provision for impairment of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Xinhua Travel Service Co., Ltd.	300,000.00			300,000.00
Sichuan Publishing Foreign Trade Company	707,325.58			707,325.58
Sichuan International Cooperation Co., Ltd.	15,000,000.00		15,000,000.00	
Sichuan Daqi Assets Merger and Acquisition Advisory Co., Ltd.	102,000.00		102,000.00	
Sichuan Lvke Fruit and Vegetable Drinks Co., Ltd.	10,058,457.75			10,058,457.75
Sichuan Lujie Information Engineering Co., Ltd.				
Sichuan University Scientific and Technological Achievement Transformation Center Co., Ltd.	8,951,683.18			8,951,683.18
Sichuan Dazhou Tieshan Tunnel Construction and Development Co., Ltd.	22,849,248.51			22,849,248.51
Leshan Shanwan Hotel Co., Ltd.	29,842,580.85			29,842,580.85
Chongqing Jinfan Hotel	400,000.00		400,000.00	
Xingwen Daguang Cement Products Co., Ltd.	345,000.00			345,000.00
Xingwen Wanfeng nano powder Co., Ltd.	931,910.92			931,910.92
Qinghai Yulong Mining Co., Ltd.	63,361,400.00		63,361,400.00	
Chengdu Huagao Ruitian Technology Co., Ltd.	29,036,069.59			29,036,069.59
Chongqing Yunhan Network Media Co.	16,529,000.00		16,529,000.00	
Shanghai Hongyuan Technology Co.	2,002,567.24			2,002,567.24
Yichang Xinli New Energy Co.	7,359.06		7,359.06	
Henan Xinli Lighting Equipment Co.	32,635.19			32,635.19
Shanghai Hanlong Investment Co.	790,530.00			790,530.00
China International Futrures Co. Ltd	20,000,000.00			20,000,000.00
Guanghan Datong Financing Co.	150,000.00			150,000.00
Sichuan Qimingxing Investment Co.	6,000,000.00			6,000,000.00
Chengdu Pengzhou Yinhe Mountain Villa		1,167,073.60		1,167,073.60
Total	**227,397,767.87**	**1,167,073.60**	**95,399,759.06**	**133,165,082.41**

16. Other equity instruments

1. Details of other equity instruments

Item	Ending balance	Beginning balance
Chengdu Bank	1,371,781,266.00	1,168,812,086.40
Anhui Xinhua Media Co., Ltd	683,027,200.00	832,595,200.00
Others	119,840,119.97	14,861,063.66
Total	**2,174,648,585.97**	**2,016,268,350.06**

2. the significant other equity instruments as of December 31, 2019

Item	Investment cost	Accumulated changes in fair value included in other comprehensive income	Fair value as at December 31, 2019
Chengdu Bank	451,000,000.00	920,781,266.00	1,371,781,266.00
Anhui Xinhua Media Co., Ltd	186,415,328.00	496,611,872.00	683,027,200.00

17. Other non-current financial assets

Item	Ending Balance	Beginning balance
CITIC M&A Investment Fund (Shenzhen) partnership (limited partnership)	111,887,206.48	94,837,468.07
Wenxuan Hengxin (Shenzhen) equity investment fund partnership (limited partnership)	292,338,697.14	248,097,708.00
Qingdao Jinshi Zhixin Investment Center (limited partnership)	102,430,506.09	148,790,378.40
Others	69,447,626.72	60,387,023.46
Total	**576,104,036.43**	**552,112,577.93**

18. Investment properties

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total original carrying value	**4,716,437,142.81**	**971,199,041.78**	**305,513,273.28**	**5,382,122,911.31**
1. Buildings	4,714,957,142.81	920,606,559.61	305,513,273.28	5,330,050,429.14
2. Land use right	1,480,000.00	50,592,482.17		52,072,482.17
Total accumulated depreciation	**1,062,908,706.18**	**219,144,785.11**	**76,796,999.85**	**1,205,256,491.44**
1. Buildings	1,062,908,706.18	218,159,099.06	76,796,999.85	1,204,270,805.39
2. Land use right		985,686.05		985,686.05

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total net carrying value	**3,653,528,436.63**			**4,176,866,419.87**
1. Buildings	3,652,048,436.63			4,125,779,623.75
2. Land use right	1,480,000.00			51,086,796.12
Total provision for impairment	**6,167,937.43**		**240,530.80**	**5,927,406.63**
1. Buildings	6,167,937.43		240,530.80	5,927,406.63
2. Land use right				
Total carrying value	**3,647,360,499.20**			**4,170,939,013.24**
1. Buildings	3,645,880,499.20			4,119,852,217.12
2. Land use right	1,480,000.00			51,086,796.12

19. Fixed assets

Item	Ending Balance	Beginning Balance
Fixed assets	273,629,479,259.87	252,203,799,732.21
Disposal of fixed assets	11,247,834.25	19,591,946.93
Total	**273,640,727,094.12**	**252,223,391,679.14**

(1) Cost of fixed assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	40,010,245,318.07	4,049,781,002.79	8,770,717,451.58	35,289,308,869.28
Railway tracks	3,853,268,595.25			3,853,268,595.25
Roads and structures	200,111,079,481.69	22,049,674,809.40	2,097,748,313.96	220,063,005,977.13
Aircraft	3,635,054,121.48	1,549,204,809.63		5,184,258,931.11
Pipe network assets	185,967,002.24	3,971,724.89		189,938,727.13
Plant and machinery	40,500,030,409.78	12,494,291,702.38	4,800,256,281.11	48,194,065,831.05
Means of transport	2,170,450,983.40	305,223,011.37	467,576,729.28	2,008,097,265.49
Office equipment and other	2,553,508,094.38	621,210,242.08	578,373,478.42	2,596,344,858.04
Total	**293,019,604,006.29**	**41,073,357,302.54**	**16,714,672,254.35**	**317,378,289,054.48**

(2) Accumulated depreciation

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	6,982,054,747.95	1,229,489,847.90	1,360,864,873.30	6,850,679,722.55

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Railway tracks	420,196,185.32			420,196,185.32
Roads and structures	16,123,907,944.22	2,251,375,282.63	58,699,261.84	18,316,583,965.01
Aircraft	101,633,952.37	173,661,550.18		275,295,502.55
Pipe network assets	33,838,798.98	13,009,639.56	536,727.06	46,311,711.48
Plant and machinery	12,634,222,961.14	2,992,004,538.87	2,293,464,322.04	13,332,763,177.98
Means of transport	1,340,842,693.59	221,873,179.69	333,280,781.29	1,229,435,091.99
Office equipment and other	1,396,410,038.23	346,288,678.83	249,760,179.28	1,492,938,537.77
Total	**39,033,107,321.80**	**7,227,702,717.66**	**4,296,606,144.81**	**41,964,203,894.65**

(3) Provision for impairment of fixed assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	1,677,144,637.48	12,087,089.25	18,110,483.38	1,671,121,243.35
Railway tracks				
Roads and structures				
Aircraft				
Pipe network assets	5,503,631.03			5,503,631.03
Plant and machinery	97,864,077.07	9,547,263.17	1,097,971.82	106,313,368.42
Means of transport	713,515.96	57,819.78	511,442.96	259,892.78
Office equipment and other	1,471,090.74	51,315.00	114,641.36	1,407,764.38
Total	**1,782,696,952.28**	**21,743,487.20**	**19,834,539.52**	**1,784,605,899.96**

(4) Net carrying value of fixed assets

Item	Beginning balance	Ending balance
Housing and building	31,351,045,932.64	26,767,507,903.38
Railway tracks	3,433,072,409.93	3,433,072,409.93
Roads and structures	183,987,171,537.47	201,746,422,012.12
Aircraft	3,533,420,169.11	4,908,963,428.56
Pipe network assets	146,624,572.23	138,123,384.62
Plant and machinery	27,767,943,371.57	34,754,989,284.65
Means of transport	828,894,773.85	778,402,280.72
Office equipment and other	1,155,626,965.41	1,101,998,555.89
Total	**252,203,799,732.21**	**273,629,479,259.87**

Note 1: In this year, the original value of fixed assets increased by 41,073,357.3 thousand, and the accumulated depreciation increased by 7,227,702.7 thousand, among the fixed assets increased this year, the amount transferred from construction in progress is RMB 22,814,469.3 thousand. The original value of the fixed assets of Shengtian New Energy increased by 3,389,038.1 thousand and the accumulated depreciation increased by 214,465.8 thousand. The original value of Beijing SPC in the consolidated unit of Environment Investment Group increased by 4,903,241.1 thousand and the depreciation increased by 1,067,330.6 thousand.

Note 2: In this period, the total original value of fixed assets decreased by 16,714,672.2 thousand, and the accumulated depreciation decreased by 4,296,602.1 thousand, mainly due to the increase and decrease caused by the change of the consolidation scope of the subordinate units, of which, the original value of fixed assets decreased by 14,277,024.1 thousand and the accumulated depreciation decreased by 3,561,579.8 thousand by the Communications Investment Group; the original value of fixed assets decreased by 1,450,883.6 by the Energy Investment Group, and the accumulated depreciation decreased by 172,849.4 thousand.

Note 4: Sichuan Highway and its subsidiaries did not recognize the depreciation of the road coming into use in 2012 since 2013. The asset was RMB 133.401 billion as at end of 2019.

20. Construction in progress

Item	Ending balance			Beginning balance		
	Book balance	Provisions	Carrying amount	Book balance	Provisions	Carrying amount
Construction in progress	90,061,622,686.34	127,128,325.23	89,934,494,361.11	85,753,350,615.37	73,404,425.80	85,679,946,189.57
Construction materials	482,661,281.29		482,661,281.29	649,491,448.95		649,491,448.95
Total	**90,544,283,967.63**	**127,128,325.23**	**90,417,155,642.40**	**86,402,842,064.32**	**73,404,425.80**	**86,329,437,638.52**

(1) Ending book balance:

Project Name	Beginning balance		Increase during current year	Decrease during current year		Ending balance	
	Book balance	Provision for impairment		Amount	Including: transferred to fixed assets	Book balance	Provision for impairment
Total	**85,753,350,615.37**	**73,404,425.80**	**37,038,019,472.45**	**32,729,747,401.48**	**22,814,449,281.18**	**90,061,622,686.34**	**127,128,325.23**
Including: Top 10							
1. Wenchuan Malkang Expressway	17,063,562,620.89		1,774,812,372.02			18,838,374,992.91	
2. Chengdu Yichang Expressway	5,849,251,628.91		5,863,190,979.49			11,712,442,608.40	
3. Lehan Expressway	2,782,371,482.19		4,823,762,811.82			7,606,134,294.01	
4. Well New Section Project	2,451,614,241.89		4,315,777,909.46			6,767,392,151.35	
5. Mianjiu Expressway Project	1,647,197,729.47		4,701,882,985.01			6,349,080,714.48	
6. Chengdu Ziyang Chongqing Expressway Project	2,102,848,231.44		2,628,378,263.28			4,731,226,494.72	
7. Sichuan Jinsha Hydropower Station	3,147,943,730.66		912,552,378.57			4,060,496,109.23	
8. Lu Yu Expressway Project	1,933,443,503.47		1,337,718,495.07			3,271,161,998.54	

Project Name	Beginning balance		Increase during current year	Decrease during current year		Ending balance	
	Book balance	Provision for impairment		Amount	Including: transferred to fixed assets	Book balance	Provision for impairment
9. Taoyuan Bazhong Expressway	2,805,499,443.91		347,313,138.46			3,152,812,582.37	
10. Reconstruction and expansion of Luhuang Road	1,355,079,725.75		804,891,625.65			2,159,971,351.40	

(Continued)

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
Total	**583,219,671,432.43**		**6,390,854,180.68**	**2,194,301,703.78**	
Including: Top 10					
1. Wenchuan Malkang Expressway	28,708,571,988.00	65.62	484,518,794.33	192,755,102.82	Government grant, loan and Self-fund
2. Chengdu Yichang Expressway	24,600,000,000.00	47.61	571,832,477.58	434,537,355.48	Loan and Self-fund
3. Lehan Expressway	20,492,000,000.00	37.12	337,466,704.41	299,082,067.29	Loan and Self-fund
4. Well New Section Project	20,384,450,000.00	33.00	302,351,936.29	162,111,286.28	Loan, vehicle purchase tax
5. Mianjiu Expressway Project	41,009,000,000.00	15.48	302,960,697.48	118,458,966.86	Loan, government grant

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
6. Chengdu Ziyang Chongqing Expressway Project	14,732,000,000.00	32.12	424,224,532.41	244,163,954.16	20% project capital, 80% domestic bank loan
7. Sichuan Jinsha Hydropower Station	7,400,000,000.00	54.87	529,099,431.85	148,127,266.86	Loan and Self-fund
8. Lu Yu Expressway Project	3,939,262,500.00	83.04	171,786,326.64	123,442,871.95	Loan and Self-fund
9. Taoyuan Bazhong Expressway	14,741,261,678.00	86.06	1,250,727,971.88	1,333,320.84	Transfer loan, shareholder loan and capital premium
10. Reconstruction and expansion of Luhuang Road	3,842,957,817.00	56.21	71,860,565.60	39,788,147.00	Vehicle purchase tax, capital fund, loan

21. Intangible Assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total original cost	**166,436,407,075.02**	**13,841,405,377.04**	**20,402,547,034.21**	**159,875,265,417.85**
Including: land-use rights	9,474,951,434.08	2,109,091,687.04	79,544,304.70	11,504,498,816.42
Expressway operation rights	33,985,873,265.00	1,230,686,992.03	19,513,954.20	35,197,046,302.83
WTE Power franchise right	1,197,443,122.72	3,456,075,008.77		4,653,518,131.49
BOT and BT assets	116,840,583,211.34	5,509,376,657.68	17,988,078,470.51	104,361,881,398.51
Patent rights and know-how	183,881,124.32	998,121,628.97	2,357,853.24	1,179,644,900.05
Software	391,976,887.78	170,727,831.71	46,877,378.07	515,827,341.42
Mining right and exploration right	4,303,508,861.71	360,459,215.09	2,265,986,362.05	2,397,981,714.75
Others	58,189,168.07	6,866,355.75	188,711.44	64,866,812.38
Total accumulated amortization	**11,120,846,394.88**	**2,650,133,913.53**	**215,732,714.23**	**13,555,247,594.18**
Including: land-use rights	1,115,054,804.47	216,719,770.30	27,307,379.71	1,304,467,195.06
Expressway operation rights	6,280,064,276.04	844,517,271.99	1,944,854.70	7,122,636,693.33
WTE Power franchise right	156,001,204.92	56,127,740.89		212,128,945.81
BOT assets	3,151,606,361.90	1,246,027,463.80	101,399,737.27	4,296,234,088.43
Patent rights and know-how	86,026,983.82	137,954,765.34	915,934.37	223,065,814.79
Software	212,065,493.49	61,261,409.96	17,814,732.92	255,512,170.53
Mining right and exploration right	88,413,504.12	76,281,234.55	66,313,587.46	98,381,151.21
Others	31,613,766.12	11,244,256.70	36,487.80	42,821,535.02
Total provision for impairment	**2,889,432,053.58**	**27,558,672.72**	**679,911.11**	**2,916,310,815.19**
Including: land-use rights	2,874,819,598.40	187,414.41		2,875,007,012.81
Expressway operation rights	693,157.04			693,157.04
WTE Power franchise right				

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
BOT assets				
Patent rights and know-how	1,239,387.03			1,239,387.03
Software				
Mining right and exploration right	679,911.11	27,371,258.31	679,911.11	27,371,258.31
Others	12,000,000.00			12,000,000.00
Total carrying value	**152,426,128,626.56**			**143,403,707,008.48**
Including: land-use rights	5,485,077,031.21			7,325,024,608.55
Expressway operation rights	27,705,115,831.92			28,073,716,452.46
WTE Power franchise right	1,041,441,917.80			4,441,389,185.68
BOT assets	113,688,976,849.44			100,065,647,310.08
Patent rights and know-how	96,614,753.47			955,339,698.23
Software	179,911,394.29			260,315,170.89
Mining right and exploration right	4,214,415,446.48			2,272,229,305.23
Others	14,575,401.95			10,045,277.36

Note: Intangible assets increased by RMB 13.841 billion in the current period. In addition to the newly increased consolidated units of subordinate Environment Investment Group totaling 1,419 million, the other significant increase was due to increase of the franchise rights and land use rights of Energy Investment Groups, Communications Investment Group and Railway Investment Group in the current year. The decrease of intangible assets in the current period was RMB 20.403 billion, mainly due to the change of consolidation scope, of which Railway Investment Group would no longer consolidate Ba Guangyu Company in the current year Decrease contributing the decrease of 17.5 billion, and Shuyu Mining would not included in the merger this year contributing the decrease of 2.267 billion.

22. Right-of-use assets

Item	Beginning balance	Increase	Decrease	Ending balance
Total original cost	**293,592,507.28**	**214,154,581.66**	**3,464,005.53**	**504,283,083.41**

Including：Housing and building	145,662,344.98	214,154,581.66	1,403,146.46	358,413,780.18
Land use right and others	147,930,162.30		2,060,859.07	145,869,303.23
Total Accumulative depreciation		**82,420,450.13**	**633,412.89**	**81,787,037.24**
Including：Housing and building		68,254,986.16	633,412.89	67,621,573.27
Land use right and others		14,165,463.97		14,165,463.97
Total net carrying amount	**293,592,507.28**			**422,496,046.17**
Including：Housing and building	145,662,344.98			290,792,206.91
Land use right and others	147,930,162.30			131,703,839.26
Total provisions				
Including：Housing and building				
Land use right and others				
Total carrying amount	**293,592,507.28**			**422,496,046.17**
Including：Housing and building	145,662,344.98			290,792,206.91
Land use right and others	147,930,162.30			131,703,839.26

23. Goodwill

(1) Original value of goodwill

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Xinlong Jinlong Hydropower Investment Co., Ltd.	1,315,000.00			1,315,000.00
Yunnan Pu'er Honghuan Hydropower Development Co., Ltd.	10,915,610.29			10,915,610.29
Jinggu Longjiang Electrical Development Co., Ltd.	11,941,000.00			11,941,000.00
Zhaojue Haoyuan Electric Power Development Co., Ltd.	4,592,000.00			4,592,000.00
Daguan Xinhe Electric Power Co., Ltd.	84,125,429.07			84,125,429.07
Jinyang Sanhe Hydropower Development Co., Ltd.	298,240.67			298,240.67

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Pingwu Xian Guangyao Electric Co.,Ltd.	6,600,476.26			6,600,476.26
Sichuan Hydropower Group Dazhu Electric Co.,Ltd.	100,000,000.00			100,000,000.00
SCEI Runjia Real Estate Co.,Ltd.	5,165,101.42			5,165,101.42
Sunfor Light Co	456,297,553.43			456,297,553.43
Sichuan Yilian Construction Engineering and Project Management Co.,Ltd. *1	872,167.65		872,167.65	
Tianquan Sand River Hydropower Station	6,623,979.45			6,623,979.45
Tianquan Dabainiu Hydroelectric Power Co., Ltd.	3,918,203.29			3,918,203.29
Tianquan kangneng Hydroelectric Development Co., Ltd.	12,942,254.35			12,942,254.35
Chengdu GENL Investment Co.,Ltd.	6,275,014.62			6,275,014.62
Chengdu Jinyu Investment Co.,Ltd.	5,706,984.88			5,706,984.88
Zizhonglongyuan Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,522,780.78			1,522,780.78
Yong’an Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,502,487.83			1,502,487.83
Xingwen Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	11,215,360.05			11,215,360.05
Sichuan Zhaojue Electric Power Co., Ltd.	8,703,254.40			8,703,254.40
Pingshan Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	27,442,364.59			27,442,364.59
Gaoxian Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	59,696,176.59			59,696,176.59
Meigu Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	3,409,238.53			3,409,238.53
Shuifu Yangliutan Power Generation Co., Ltd.	37,203,845.61			37,203,845.61

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Gongxian Hongli Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,594,574.20			1,594,574.20
Dege Gesa'er Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	15,065,974.59			15,065,974.59
Luzhou Yuyu Electric Power Co., Ltd.	26,643,292.19			26,643,292.19
Chishui Yujin Hydropower Development Co., Ltd.	6,032,147.16			6,032,147.16
Hejiang Laolongkou Electric Power Co., Ltd.	335,216.85			335,216.85
Huaying Local Electrical Power Co., Ltd.	6,253,805.57			6,253,805.57
Luzhou Jialeyuan Electrical Development Co., Ltd.	14,825,937.45			14,825,937.45
Sichuan Jinxiang Real Estate Co.,Ltd. acquires its subsidiary	618,413.33			618,413.33
Zigong Energy Investment Huaxi Environmental Power Co.,Ltd.	284,700.00			284,700.00
Yanting Yingji Biotech Development Co.	1,970,550.02			1,970,550.02
Chengdu United Environment Co.	772,485.29			772,485.29
Sichuan New Energy Power Co.	260,779,015.24			260,779,015.24
Chengdu Jintang Jiangyuan Electric Co., Ltd	11,266,766.04			11,266,766.04
Mianning Guotou Dinas Co.	174,914,850.33			174,914,850.33
Sichuan Hengsheng Tianjie Environment Mangement Co.	26,008,153.04			26,008,153.04
Sichuan Panxi Lingshan Tourism Investment Development Co.	55,734,102.59			55,734,102.59
Sichuan Energy Dingsheng Lithium Co.	559,688.33			559,688.33
Design and Research Institute of Sichuan Energy Construction Group	443,353.92			443,353.92
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Renjiao Times Xinhua Audio & Video Co., Ltd.	18,455.00			18,455.00

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Wagott Pharmaceutical Co., Ltd.	2,669,936.04			2,669,936.04
Xuyong Longmang Mineral Products Co., Ltd.	1,515,656.24		1,515,656.24	
Sichuan Ethnic Investment Co., Ltd.	985,844.54			985,844.54
Sichuan Xingshu Railway Investment Co., Ltd.	1,128,173.36			1,128,173.36
Yanyuan Zhongwei New Energy Technology Co.	42,741.48			42,741.48
Yanyuan Huanlian Juneng Electric Development Co.	41,247,601.38			41,247,601.38
Sichuan Railway Group Urban-rural Investment and Construction Co.	10,640,344.14			10,640,344.14
Sichuan Railway Group	1,063,721.57			1,063,721.57
Sichuan Chuanrui Development Investment Co. *2	32,967,185.27		6,058,203.18	26,908,982.09
Sichuan Transportation Investment Chengtai Insurance Broker Company Limited	3,996,577.50			3,996,577.50
Neijiang Zhengli Real Estate Co.,Ltd.	123,089,858.99			123,089,858.99
Sichuan Baizhanghu Tourism Development Co.,Ltd.	508,764.46		508,764.46	
Chengdu Chuanjiao Xinrong Construction Engineering Co., Ltd		1,950,000.00		1,950,000.00
Xinlu Pharmaceutical Co., Ltd.	20,124,795.57			20,124,795.57
Nanjing Yinmao	204,847,809.86			204,847,809.86
Shanghai Aowei Technology Co.	85,809,605.90			85,809,605.90
Xinzhu Co.	221,186,927.47			221,186,927.47
Guanghan Urban Gas Co.	3,295,469.93			3,295,469.93
Sichuan Hanlong High-tech Development Co.	71,225,951.18			71,225,951.18
Baotou Menghan Industrial Co.	26,050,203.41			26,050,203.41
Mianyang Fenggu Wine Co.	573,768,900.15			573,768,900.15
Panlong Wine Co.	7,642,255.08			7,642,255.08
Deyang Gas Co.	624,855,689.66			624,855,689.66
Mianyang Xiaodao Construction Development Co.	383,174,649.33			383,174,649.33

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Hanlong Expressway Development Co.	169,737,561.63			169,737,561.63
Mianyang Yiduoyuan Real Estate Co.	45,832,627.66			45,832,627.66
Sichuan Kaida Industrial Co.	204,889.13			204,889.13
Sichuan Yiyuan Investment Co.	13,518,760.06			13,518,760.06
Guanghan Jiade Industrial Co.	222,701,200.00			222,701,200.00
Hanlong Industrial Development Co.	207,022.53			207,022.53
Yintai Business Co.	5,791,885.01			5,791,885.01
Beijing SPC Co. *3		1,095,509,275.88		1,095,509,275.88
Aba Hongyuan Huanju Ecological Energy Co., Ltd *4		820,900.52		820,900.52
ABA Ruoergai Huanju Ecological Energy Co., Ltd *4		2,503,274.07		2,503,274.07
Total	**4,376,090,219.96**	**1,100,783,450.47**	**8,954,791.53**	**5,467,918,878.89**

*1. The decrease in this year is due to the transfer of the equity of the investee, the loss of control and the change of accounting method.

*2. Long term investment of Sichuan Chuanrui Development Investment Co., Ltd. in Hongya Hongjin Tourism Group Co., Ltd. decreased by 6,058,203.18 this year. According to the agreement of Article 10 "assumption of profits and losses during the period" in the agreement on transfer of 60% state-owned equity of Hongya Hongjin Tourism Group Co., Ltd. signed by Chuanrui Development and Emeishan Wannian Industry Co., Ltd. on July 17, 2018: From the benchmark date of equity transfer to the date when the equity transfer agreement is signed and takes effect, the profits generated by Hongjin Group shall be enjoyed and distributed by Party A according to the shareholding ratio; Losses incurred by Hongjin group shall be fully made up by Party A in cash according to the shareholding ratio…Accordingly, Chuanrui Development received the period loss made up by cash from Emeishan Wannian Industrial Co., Ltd. and offset the recognized amount of long-term investment value and consolidated goodwill.

*3. For the increase of goodwill in Beijing SPC, please refers to NOTE VI 8.

*4. Newly consolidated company Shengtian New Energy Co. contributed the increase.

(2) Provision for impairment of goodwill

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Sunfor Light	456,297,553.43			456,297,553.43

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Huagao Pharmaceutical Co.	2,669,936.04			2,669,936.04
Deyang Gas Co.	407,133,227.70			407,133,227.70
Hanlong Expressway Development Co.	169,737,561.63			169,737,561.63
Daguan Xinhe Power Co., Ltd		29,443,900.17		29,443,900.17
Chengdu Jinyu Investment Co., Ltd		4,565,587.90		4,565,587.90
Beijing SPC Co.		52,802,019.07		52,802,019.07
Total	**1,039,689,885.33**	**86,811,507.14**		**1,126,501,392.47**

24. Long-term deferred expense

Item	Beginning balance	Increase during the year	Amortization in current year	Decrease during the year	Ending balance
Road renovation projects and preventive maintenance projects.	437,123,720.91	1,173,620,355.98	182,227,059.00	178,202.00	1,428,338,815.89
Decoration and reconstruction expense	219,095,837.83	249,143,359.95	150,158,046.30	31,513,070.61	286,568,080.87
Gas station assets improvement expenditures	32,946,032.81		3,926,407.16	400,000.02	28,619,625.63
Other small projects	349,195,283.93	425,491,920.86	230,307,177.77	82,760,365.36	461,619,661.66
Total	**1,038,360,875.48**	**1,848,255,636.79**	**566,618,690.23**	**114,851,637.99**	**2,205,146,184.05**

25. Deferred tax assets

Item	Ending balance	Beginning balance
Provision for asset impairment	1,079,283,363.00	831,102,865.38
Deductible tax losses	227,580,080.14	163,839,883.77
Income tax effect of deferred payment of employee benefits payable	5,940,462.62	8,601,861.91
Accrued liabilities	31,461,538.53	160,464,560.49
Internal unrealized profits	423,040,592.52	430,389,289.91
Deferred income	115,272,132.50	36,069,104.51

Item	Ending balance	Beginning balance
Accrual interest	45,953,181.94	7,799,880.04
Change in fair value of available-for-sale financial assets	215,570,904.42	226,452,382.56
Change in fair value of tradable financial assets	78,200,366.76	207,824,290.21
Services Area management fee and others	178,355,859.18	88,837,350.23
Total	**2,400,658,481.61**	**2,161,381,469.01**

26. Other non-current assets

Item	Ending balance		Beginning balance	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term debt investments *1	8,126,864,315.01	2,081,375,341.35	7,987,094,215.01	2,077,099,341.35
Prepayment of fixed asset	8,283,581,820.61	3,030,231.84	6,657,423,741.86	
Temporary facilities and other*2	12,597,028,102.74	138,259,500.00	5,386,874,785.70	6,479,621.70
Joint venture Railway Assets *3	55,179,060,736.11		49,901,191,112.13	
Relocation for poverty alleviation project *4	11,300,000,000.00		11,300,000,000.00	
Hosting assets of national agricultural comprehensive development industrialization project	701,098,169.43	23,250,000.00	675,382,994.37	33,134,100.00
Total	**96,187,633,143.90**	**2,245,915,073.19**	**81,907,966,849.07**	**2,116,713,063.05**

*1. Mainly long-term debt investments made by Hydropower Group in urban grids and rural grids.

*2. Temporary facilities and others are mainly temporary works, temporary facilities, road assets, equity subscription funds, etc

*3. As for the details of joint venture railway, please refer to Note XIII 2 Railway Investment Group report ofjoint venture railway.

*4. According to the 13th Five Year Plan of Relocation Plan For Poverty Alleviation In Sichuan Province, State-Owned Assets Management Co. borrowed 11.3 billion from the Agricultural Development Bank of China for the relocation project. The bank loan was invested in the management and operation subject of the relocation project in the form of capital fund, Sichuan Guonong Investment Management Co., Ltd. (hereinafter refer to Guonong Investment Co.). After receiving the above payment, Guonong Investment will transfer loan with the same interest to the local government and platform enterprises for the "13th five

year plan" relocation.

In 2018, according to The Notice On The Replacement Of Outstanding Government Debts In 2018 issued by Sichuan MOF, Sichuan MOF allocated local government bond funds to the municipal (prefecture), county (city, district) governments participating in the relocation of poverty alleviation, so that the local governments and platform enterprises could repay loans provided by Guonong Investment. After receiving the above-mentioned funds, Guonong Investment will deliver the funds to the state-Owned Assets Management Co. in the form of current funds, which will be used for the State-Owned Assets Management Co. to replace the loans of Agricultural Development Bank of China. As of July 2018, the 11.3 billion had completed replacement.

27. Breakdown of impairment provision of assets

Item	Beginning balance	Increase during the year			Decrease during the year			Ending balance
		Accrued in this year	Increased by consolidation	Other increase	Decrease by consolidation	Other decrease	Write-off	
Provision for bad debts	10,306,708,317.60	25,346,414.65	40,486,868.33	1,299,021.99	119,856,283.62	76,629,189.16	3,365,040.68	10,173,990,109.11
Provision for impairment of inventory	529,903,657.24	153,789,397.08	6,915,387.09	193,548.75		62,234.71	152,798,619.38	537,941,136.07
Loan loss provision	242,113,078.32	-4,506,311.19					544,683.38	237,062,083.75
Provision for impairment of financial assets available- for-sale	554,603,733.16	4,542,256.45				8,404,719.65		550,741,269.96
Provision for held to maturity investments	3,000,000.00	44,000.00						3,044,000.00
Provision for impairment of long-term receivables	1,280,936,587.37	-10,355,853.13	7,500,000.00	4,731,107.86	486,999,301.02		211,067,258.98	584,745,282.10
Provision for impairment of long-term equity investment	227,397,767.87	-	-	1,167,073.60	63,361,400.00	15,109,359.06	16,929,000.00	133,165,082.41
Provision for impairment of investment properties	6,167,937.43	-240,530.80						5,927,406.63
Provision for fixed assets impairment	1,782,696,952.28	12,531,324.28		9,959,874.30		20,560,395.90	21,855.00	1,784,605,899.96
Provision for construction in progress	73,404,425.80	50,571,273.71		9,773,995.13			6,621,369.41	127,128,325.23
Provision for impairment of productive biological assets	53,533.15	853,397.46						906,930.61
Provision for non-current assets maturing within 1 year	55,979,675.62	-237,568,901.37		607,958,400.00				426,369,174.25
Provision for intangible assets impairment	2,889,432,053.58	9,088.21		26,869,673.40				2,916,310,815.19
Provision for goodwill impairment	1,039,689,885.33	86,811,507.14						1,126,501,392.47
Provision for impairment of other current assets	528,100,141.54	494,284.82					18,125,391.54	510,469,034.82
Provision for other non-current assets	2,116,713,063.05	93,122,022.22		65,349,283.38			29,269,295.46	2,245,915,073.19
Total	**21,636,900,809.34**	**175,443,369.53**	**54,902,255.42**	**727,301,978.41**	**670,216,984.64**	**120,765,898.48**	**438,742,513.83**	**21,364,823,015.75**

28. Short-term loan

Item	Ending balance	Beginning balance
Pledged loan	352,754,488.52	236,195,980.80
Mortgage loan	1,076,350,000.00	1,093,353,870.65
Guaranteed loan	8,105,808,989.69	6,485,126,360.68
Credit loan	34,109,587,513.28	31,235,892,734.64
Transform from notes payable, and letter of credit	149,996,288.05	206,973,615.04
Total	**43,794,497,279.54**	**39,257,542,561.81**

1. Overdue short-term loan as of December 31, 2019

Item	Ending balance	Overdue time
CITIC Chengdu Branch	51,683,331.96	2018-02-28
Mianyang Commercial Bank Chengxi Branch	56,220,000.00	2014-2-5
Hengfeng Bank	45,995,308.83	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Minsheng Bank (transformed from notes payable）	99,996,288.05	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Hengfeng Bank (transformed from notes payable)	50,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Total	**303,894,928.84**	

Note: The overdue short-term loans stated above are loans from asset packages from Hanlong Group received by Guoke Co. Please see the details in Note XIII 8.

29. Notes payable

Item	Ending balance	Beginning balance
Bank acceptance notes	2,293,584,762.18	1,603,079,442.54
Commercial acceptance notes	200,686,109.11	329,268,763.06
Total	**2,494,270,871.29**	**1,932,348,205.60**

30. Account payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	35,004,497,070.09	34,455,309,288.56
1-2 years	6,478,302,190.60	5,762,393,331.94
2-3 years	1,729,041,497.11	1,497,920,989.11
Over 3 years	2,282,665,154.64	1,631,628,029.71
Total	**45,494,505,912.44**	**43,347,251,639.32**

31. Advances from customers

Age	Ending balance	Beginning balance
Within 1 year (including 1 year)	12,059,699,881.57	10,988,549,851.27
Over 1 year	2,920,653,991.22	1,507,983,604.51
Total	**14,980,353,872.79**	**12,496,533,455.78**

Large-amount accounts received in advance with aging over 1 year:

Creditor	Ending balance	Reasons for non-transfer
Aba Tibetan and Qiang Autonomous Prefecture poverty alleviation and Immigration Bureau (G317)	387,797,460.65	Settlement has not yet been handled
Sichuan Chuanchu Real Estate Co., Ltd	133,179,329.37	Unsettled
Transportation Bureau of Muli Tibetan Autonomous County	112,776,092.64	Settlement has not yet been handled
People's Government of Yajiang County	107,500,000.00	Settlement has not yet been handled
Real estate client	101,727,058.00	Undelivered
Foshan Guangfo Zhaozhou Expressway Co., Ltd	59,019,964.34	Settlement has not yet been handled
Zhaojue state owned Assets Management Co., Ltd	56,769,197.60	Project in progress
China Railway Urban Development Investment Group Co., Ltd	22,802,047.00	Unsettled
Pengshan Development Holding Co., Ltd	17,064,150.96	Income recognition conditions not met
Huading Guolian Sichuan Power Battery Co., Ltd	17,022,370.42	Unsettled
Sichuan Branch of China Telecom Co., Ltd	13,665,882.43	Lease income before income period
Sichuan Branch of people's Insurance Company of China	10,305,185.66	Claim not cleared
Zhongtong Energy Technology Co., Ltd	10,000,000.00	Advances from commodities
Total	**1,049,628,739.07**	

32. Contract liability

Item	Ending balance	Beginning balance
Advance payment of real estate project	517,038,585.51	5,892,772.58
Other advance receipts	566,491,383.99	362,415,139.27
Membership card points	3,538,940.71	12,782,898.02
Total	**1,087,068,910.21**	**381,090,809.87**

33. Employee benefits payable

(1) Category of employees' payables

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Short-term payroll	3,189,927,990.31	13,434,991,171.54	12,718,496,409.46	3,906,422,752.39
Post-employment - the defined contribution plan	152,294,385.14	1,574,488,225.88	1,533,221,341.00	193,561,270.02

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Resignation benefit	10,016,543.21	81,358,827.71	86,487,762.79	4,887,608.13
Others	487,308.29	11,695,252.80	11,742,340.59	440,220.50
Total	**3,352,726,226.95**	**15,102,533,477.93**	**14,349,947,853.84**	**4,105,311,851.04**

(2) Short-term payroll

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Salaries, bonus, allowances and subsidies	2,812,894,796.86	10,639,049,757.87	9,943,289,340.09	3,508,655,214.64
Employees' benefits	24,615,160.88	714,223,470.85	714,849,505.26	23,989,126.47
Social insurance premiums	17,330,289.90	728,249,029.69	725,941,960.77	19,637,358.82
Including:: medical insurance premiums	11,568,385.28	562,442,580.16	559,665,153.71	14,345,811.73
Supplementary pension insurance	478,619.52	7,994,525.06	8,072,973.09	400,171.49
Labor injury insurance	3,439,130.38	47,082,654.64	47,310,488.59	3,211,296.43
Maternity insurance	1,812,431.56	49,121,163.66	49,331,836.64	1,601,758.58
Other comprehensive insurance	31,723.16	61,608,106.17	61,561,508.74	78,320.59
Public housing fund	37,549,097.95	843,800,904.55	845,619,872.60	35,730,129.90
Union and staff education fund	288,477,600.44	378,452,521.43	355,403,642.81	311,526,479.06
Others	9,061,044.28	131,215,487.15	133,392,087.93	6,884,443.50
Total	**3,189,927,990.31**	**13,434,991,171.54**	**12,718,496,409.46**	**3,906,422,752.39**

(3) The defined contribution plans

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Basic pension insurance	74,743,337.10	1,177,066,997.10	1,209,273,846.17	42,536,488.03
Unemployment insurance	11,873,498.78	39,713,064.81	45,972,496.11	5,614,067.48
Annuity	65,677,549.26	357,708,163.97	277,974,998.72	145,410,714.51
Total	**152,294,385.14**	**1,574,488,225.88**	**1,533,221,341.00**	**193,561,270.02**

34. Taxes payables

Item	Ending balance	Beginning balance
VAT	1,335,715,888.22	1,073,696,055.17

Item	Ending balance	Beginning balance
Consumption tax	364,788,323.83	352,602,802.99
Corporate income tax	1,344,398,982.45	1,503,832,985.67
Urban maintenance and construction tax	79,811,151.98	81,187,825.08
Stamp tax	47,660,060.45	31,616,384.55
Property tax	29,580,652.81	34,835,445.14
Land use tax	40,963,702.89	46,347,583.41
Individual income tax	52,090,883.51	39,363,679.16
Education surcharge	41,833,068.92	42,927,761.58
Other taxes	340,154,426.95	148,120,286.74
Total	**3,676,997,142.01**	**3,354,530,809.49**

35. Other payable

Items	Ending balance	Beginning balance
Interest payable	5,253,704,637.76	4,586,380,893.93
Dividend payable	667,079,341.27	788,772,270.57
Other payable	28,777,547,584.58	27,512,697,655.20
Total	**34,698,331,563.61**	**32,887,850,819.70**

(1) Interest payable

Items	Ending balance	Beginning balance
Borrowing interest*1	2,094,022,472.98	2,062,104,025.98
Corporate bond interest	2,926,361,331.44	2,135,301,847.06
Short-term financing bill interest		
Financial leasing interest	16,838,858.44	1,725,454.00
Others*2	216,481,974.90	387,249,566.89
Total	**5,253,704,637.76**	**4,586,380,893.93**

*1. The overdue loan interest payable was 820,228,785.53 when Guoke Co. received Hanlong Asset package as of December 31, 2019.

*2. Mainly the interest payable for preferential partners.

(2) Other payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	7,749,685,173.60	4,972,815,045.04
1-2 years (including 2 years)	4,972,315,045.04	6,098,204,942.70
2-3 years (including 3 years)	6,059,274,897.76	6,677,560,559.09
Over 3 years *1	9,996,272,468.18	9,764,117,108.37

Age	Ending balance	Beginning balance
Total	**28,777,547,584.58**	**27,512,697,655.20**

*1. Other payables over 3 years mainly contain temporary loan, unit current account, project deposit and deposit.

36. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long term borrowings due within one year	50,979,199,309.99	39,487,412,494.39
Including: Pledge borrowings	5,184,718,047.63	2,682,537,700.12
Mortgage Loan	2,475,221,249.53	1,347,984,215.81
Guaranteed loan	7,620,396,209.86	2,977,297,047.76
Credit loan	35,698,863,802.97	32,479,593,530.70
Long-term debenture due within 1 year	9,810,785,154.71	7,391,680,691.85
Long-term payables due within 1 year	2,057,841,929.13	1,097,755,096.22
Other long-term liabilities due within 1 year	146,299,860.39	282,025,272.73
Total	**62,994,126,254.22**	**48,258,873,555.19**

37. Other current liabilities

Item	Ending balance	Beginning balance
Short term bonds payable	10,698,968,984.94	6,894,451,372.27
Pending output tax	2,069,894,059.42	1,779,404,998.36
Others	139,859,114.92	192,108,668.44
Total	**12,908,722,159.28**	**8,865,965,039.07**

The year-end balance of short-term bonds payable is mainly short-term financing bonds issued by Energy Investment Group, Railway Investment Group and Communications Investment Group with the approval of Inter-bank Dealers Association, with a term of 180-366 days, a nominal interest rate of 3.20% - 7%, and principal and interest repayment at maturity.

38. Insurance contract reserves

Item	Ending balance	Beginning balance
Unearned premium reserve	119,806,451.78	80,261,469.60
Guarantee reserve	520,505,751.98	419,471,067.97
Total	**640,312,203.76**	**499,732,537.57**

39. Long-term borrowing

(1) Classification of long-term borrowings

Item	Ending balance	Beginning balance
Pledged loan	195,320,293,790.35	191,480,820,892.36
Mortgage Loan	17,390,762,687.11	14,683,917,416.03
Guaranteed loan	102,958,536,522.17	121,524,898,907.81
Credit loan	133,660,722,145.92	116,374,187,087.24
Total	**449,330,315,145.55**	**444,063,824,303.44**

40. Bonds payable

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Medium-term notes	49,871,890,000.00	29,543,892,509.68	19,982,550,000.00	59,433,232,509.68
Private debt financing instruments	4,600,000,000.00	8,269,904,444.44	600,000,000.00	12,269,904,444.44
Corporate bonds	24,350,000,000.00	15,509,000,000.00	218,140,000.00	39,640,860,000.00
Less: unrecognized financial charges	231,803,262.36	115,022,098.26	32,052,259.90	314,773,100.72
Including: medium-term notes	184,648,914.84	64,666,293.59	19,054,041.36	230,261,167.07
Private debt financing instruments	11,905,821.20	12,482,850.95	1,488,483.67	22,900,188.48
Corporate bonds	35,248,526.32	37,872,953.72	11,509,734.87	61,611,745.17
Total	**78,590,086,737.64**	**53,207,774,855.86**	**20,768,637,740.10**	**111,029,223,853.40**

(1) Breakdown of medium-term notes (Unit: in RMB 10 thousand)

Issuer	Date of issue	Term	Issue amount	Code	Nominal interest rate
The Company	2017	5 years	300,000.00	17 CFZ MTN001	4.76%
The Company	2018	3 years	300,000.00	18 CFZ MTN001	4.99%
The Company	2019	3 years	300,000.00	19 CFZ MTN001	4.08%
The Company	2019	5 years	100,000.00	19 CFZ MTN002A	4.60%
The Company	2019	7 years	100,000.00	19 CFZ MTN002B	4.90%
The Company	2019	5 years	100,000.00	19 CFZ MTN003A	4.00%
The Company	2019	7 years	100,000.00	19 CFZ MTN003B	4.47%
Hydropower Group	2017	5+2 years	100,000.00	17 CSDMTN001	4.76%
Hydropower Group	2018	3 years	100,000.00	18 CSDMTN001	5.65%
Hydropower Group	2019	3 years	100,000.00	19 CNTMTN001	3.95%
Industrial& Financial Holding Co.	2019	5 years	50,000.00	19 CNT MTN002	4.80%
Energy Investment Group	2019	5 years	100,000.00	19 CNT MTN003	4.74%

Issuer	Date of issue	Term	Issue amount	Code	Nominal interest rate
Energy Investment Group	2019	3 years	200,000.00	19 CNT MTN004A	4.14%
Energy Investment Group	2019	5 years	200,000.00	19 CNT MTN004B	4.45%
Energy Investment Group	2019	5 years	110,000.00	19 CSD MTN001	4.60%
Energy Investment Group	2019	3 years	40,000.00	19 JDCR MTN001	6.78%
Railway Investment Group	2016	5 years	250,000.00	16 CTT MTN001	3.69%
Railway Investment Group	2016	5 years	250,000.00	16 CTT MTN002	4.00%
Railway Investment Group	2018	5 years	300,000.00	18 CTT MTN001	6.05%
Railway Investment Group	2018	5 years	300,000.00	18 CTT MTN003	5.45%
Railway Investment Group	2019	3 years	50,000.00	19 CTT PPN001	3.95%
Sichuan Road& Bridge Co.	2019	3 years	50,000.00	19 SCLQ MTN001	4.39%
Sichuan Expressway Company	2016	5 years	200,000.00	16 CGS MTN001	3.29%
Sichuan Expressway Company	2018	5 years	200,000.00	18 CGS MTN001	5.95%
Sichuan Expressway Company	2018	5 years	100,000.00	18 CGS MTN002	5.37%
Sichuan Communications	2014	7 years	150,000.00	14 CT MTN001	5.70%
Sichuan Communications	2017	5 years	100,000.00	17 CJT MTN002	5.58%
Sichuan Communications	2018	3 years	200,000.00	18 CJT MTN001	5.69%
Sichuan Communications	2018	3 years	350,000.00	18 CJT MTN002	5.34%
Sichuan Communications	2018	5 years	150,000.00	18 CJT MTN003	5.55%
Sichuan Expressway Company	2019	3 years	100,000.00	19 CGS MTN001	4.05%
Sichuan Expressway Company	2019	3 years	140,000.00	19 CGS MTN002	3.54%
Chengyu Expressway	2019	5+5 years	30,000.00	14 CYGS MTN001	6.30%
Sichuan Expressway Company	2019	5 years	200,000.00	19 CGS MTN003	4.03%
Development International	2018	3 years	346,375.00	Dollar bonds	4.80%
State-Owned Assets Operation	2018	3 years	30,000.00	18 CGZ MTN001	5.27%
State-Owned Assets Operation	2019	3 years	30,000.00	19 CGZ MTN001	4.70%
Asset Management	2018	3 years	50,000.00	18 CZ 01	6.50%
Asset Management	2018	3 years	50,000.00	18 CZ 03	6.40%
Total			**5,925,375.00**		

(2) Breakdown of the corporate bonds at the end of the year (Unit: in RMB 10 thousand)

Issuer	Date of issue	Bond term	Issue amount	Code	Nominal interest rate
The Company	2016	10 years	300,000.00	16 CF 01	3.90%
The Company	2017	5 years fixed term+ 2 years optional	400,000.00	17 CF 01	5.09%

Issuer	Date of issue	Bond term	Issue amount	Code	Nominal interest rate
The Company	2018	5 years fixed term+ 2 years optional	300,000.00	18 CF 01	5.17%
The Company	2018	5 years fixed term+ 2 years optional	200,000.00	18 CF 02	4.55%
The Company	2019	5 years	200,000.00	19 CF 01	4.30%
The Company	2019	10 years	100,000.00	19 CF 02	4.75%
The Company	2019	5 years	150,000.00	19 CF 03	3.83%
The Company	2019	7 years	150,000.00	19 CF 04	4.22%
The Company	2019	7 years	50,000.00	19 CF 05	4.40%
The Company	2019	10 years	200,000.00	19 CF 06	4.75%
The Company	2019	5 years	50,000.00	19 CF 07	3.90%
The Company	2019	10 years	200,000.00	19 CF 08	4.57%
Hydropower Group	2016	5 years	100,000.00	16 CD 01	3.38%
Hydropower Group	2016	5 years	100,000.00	16 CD 02	3.44%
Hydropower Group	2016	5 years	100,000.00	16 CD 03	3.35%
Hydropower Group	2017	5 years	180,000.00	17 CD 01	5.58%
Railway Investment Group	2018	5 years	257,000.00	18 CT 01	6.29%
Railway Investment Group	2018	5 years	100,000.00	18 CT 02	6.00%
Railway Investment Group	2018	5 years	102,000.00	18 CT 03	5.99%
Railway Investment Group	2018	5 years	56,000.00	18 CT 04	6.29%
Railway Investment Group	2019	3 years	209,286.00	Dollar bonds	3.80%
Railway Investment Group	2019	3 years	150,000.00	19 CQ 01	4.34%
Communication Investment Group	2018	3 years	240,000.00	Corporate bonds	5.39%
Environment Investment Group	2019	18 years	69,800.00	Speical plan for supprting	5.40%
Total			**3,964,086.00**		

41. Lease liabilities

Item	Ending balance	Beginning balance
Land use right and others	123,543,594.88	130,208,468.05
Housing and building	192,884,591.72	100,092,532.44
Total	**316,428,186.60**	**230,301,000.49**

42. Long-term payable

Item	Ending balance	Beginning balance
long-term payable	24,165,338,209.96	22,232,724,341.72
Special payable	14,537,600,829.24	13,945,932,613.81
Total	**38,702,939,039.20**	**36,178,656,955.53**

(1). long-term payable

Item	Ending balance	Beginning balance
Sichuan Hongyao Property Development Company		33,967,650.09
Sichuan Fulike Property Investment Co., Ltd.		2,000,000.00
Financial leasing payable	9,661,492,135.02	9,671,748,041.43
Borrowings of Chengdu Expressway Construction and Development Co., Ltd.	220,000,000.00	220,000,000.00
Sichuan Guonong Investment and management Co. *1	11,300,000,000.00	11,300,000,000.00
Pacific Asset Management Co., Ltd *2	1,780,000,000.00	
Repurchase price of income right of assets (China Railway trust) *3	270,000,000.00	
Others	933,846,074.94	1,005,008,650.20
Total	**24,165,338,209.96**	**22,232,724,341.72**

*1. Please see details in VII. 26 other non-current assets *4

.*2. In January 2019, Sichuan Energy Investment Construction Engineering Group Co., Ltd. and Pacific Asset Management Co., Ltd. signed the investment contract of Pacific Sichuan Energy Investment High-End Equipment Industrial Park Basic Debt Investment Plan, with a contract amount of 1.78 billion and a contract period of 8 years.

*3 On February 25, 2019, Asset Management Co. and China Railway Trust Co., Ltd. signed the asset Income Transfer (Buyback) Agreement, which agreed to transfer the income rights of two assets acquired from non-financial institutions by Asset Management Co. to China Railway Trust Co., Ltd. for a period of 36 months. After 24 months from the date of payment of transfer consideration by China Railway Trust Co., Ltd. to Asset Management Co., if China Railway Trust Co., Ltd. requires early repurchase, Asset Management Co. shall agree with the early repurchase requirement of China Railway Trust Co., Ltd.

(2). Special payables

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total	**13,945,932,613.81**	**17,152,932,642.60**	**16,561,264,427.17**	**14,537,600,829.24**
Including:				
Financial capital*1	5,086,024,500.00			5,086,024,500.00
Special funds*2	80,000,000.00	12,401,230,000.00	12,401,230,000.00	80,000,000.00

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Railway capital appropriated by the local government*3	7,420,624,734.73	819,766,800.00		8,240,391,534.73
Funds for repayment of loans relating to rural power grids	61,065,181.71	3,574,946.88	314,437.32	64,325,691.27
Funds appropriated with the authorization of the department of finance	30,020,000.00	1,468,242,900.00	1,498,252,900.00	10,000.00

*1. Financial capital is that appropriated by Department of Finance of Sichuan Province to the Company according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd. (Chuan Cai Jian [2009] No. 168).

*2. The increase of special funds during the year shall be attributable to the project funds specially appropriated by Sichuan MOF to the Company and its subsidiaries, among which the compensation for vehicle purchasing tax was RMB 5,941.23 million, the special funds for major transportation projects was RMB 100 million; the capital funds for green development of Yangtze River Economic Belt was 100 million; the capital funds for upgrading agricultural grid was 210 million; the capital funds for infrastructure was 1,500 million, capital funds for Airport Group was 500 million.

The decrease in special funds of this year is due to the appropriation subjected to the regulation. The special funds transferred to capital reserves amounted to 6,351.23 million and to paid-up capital amounted to 6,050 million.

*3. The capital fund appropriated by the local governments for railway projects shall mean investments made by Railway Investment Group in ministerial and provincial railway projects on behalf of districts cities and prefectures according to the Minutes of Meeting of Preliminary Work Coordination Committee of Chengxi, Chenggui and Chengyu Passenger Dedicated Railway Projects issued by Sichuan Development and Reform Commission.

43. Provisions

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Estimated pending action loss	540,201,128.27	4,490,015.04	539,560,748.27	5,130,395.04
Provision for return of goods	48,879,492.72	20,369,011.82		69,248,504.54
BOT expressway pavement rehabilitation obligations	249,468,448.61	78,712,378.62	980,529.30	327,200,297.93
Compensation for interest on government debt *1	310,502,844.87		59,107,839.13	251,395,005.74

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Accrued interest on committed share of the transferee fund *2	310,748,092.07	169,275,000.00		480,023,092.07
Others	240,953,682.98	22,769,955.91	1,854,079.61	261,869,559.28
Total	**1,700,753,689.52**	**295,616,361.39**	**601,503,196.31**	**1,394,866,854.60**

*1: For the detail of compensation for interest on government debt, please refers to the Note XIII (3) .

*2: For the detail of accrued interest on committed share of the transferee fund, please refers to the Note IX Commitment (1) 5.

44. Deferred income

Category	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Government grant	3,248,301,282.98	1,850,232,798.27	1,217,534,219.05	3,927,368,690.20
Unrealized profit and loss of leaseback	6,896,262.04	29,324,675.51	5,351,261.72	30,869,675.83
Government investment fund to PPP company	24,736,140.00	36,000,000.00	-	60,736,140.00
Others	1,763,489.89	2,498,459.65	4,065,902.36	196,047.18
Total	**3,328,066,002.91**	**1,918,055,933.43**	**1,226,951,383.13**	**4,019,170,553.21**

Details of major government grants

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
Land acquisition and demolition fund		664,858,834.24			
Supporting cost of heat supply network construction		292,898,714.63	11,612,868.91		
Supporting projects of circular economy industrial park		223,000,000.00			
Ring West Chengdu Tianfu Greenway Construction		174,866,570.53			
Project subsidy for new Bailixia interchange and toll station in Xuanhan County		154,814,000.00			
Western China Cultural Industrial Park		144,211,203.24	4,716.40		
Relocation project		130,771,714.53	5,903,799.57		
BOT project tax return		126,844,685.98	818,093.31		
Disaster recovery and reconstruction project		121,530,245.28	4,934,152.10		
Book subsidy		103,535,074.58	26,172,041.86		

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
Subsidy for landscape improvement project along g4201 of Chengdu Tianfu Greenway Construction Investment Co., Ltd		96,500,000.00			
Operating subsidy for Baer Lake Interchange Project		92,270,000.00	8,580,000.00		
Phase III expansion project		87,504,176.30	3,501,194.76		
Widening and reconstruction project of Luhuang Road		82,503,100.00			
Phase II expansion project		76,075,000.20	3,042,999.96		
South Linshui Interchange Project		74,656,766.84	4,754,769.11		
Enyang Interchange Project		73,973,333.33	2,311,666.67		
Compensation for land occupation		68,955,733.93	4,642,788.93		
Payment for construction of three toll stations		62,992,148.62	3,435,935.38		
Phase III of landscape improvement project along the ring expressway		56,307,250.88			
Yuwangmiao interchange management and maintenance project of new urban line of Neijiang		54,369,383.01	8,054,723.52		
Compensation for property right replacement in the northern reconstruction		44,459,435.83	1,229,809.00		
Phase II of landscape improvement project along the ring expressway		43,716,642.63			
Dayan toll station construction project		38,883,555.38	4,860,444.48		
Capital supplement for construction of lithium battery material production line		31,500,000.00			
Mianning East server and special products market supporting project		26,878,260.87	1,221,739.13		
Others (Winshare)		25,414,586.44	8,534,388.59		
Dazhu South Interchange Project		24,123,770.52	2,433,606.53		
Special subsidy for Sichuan publishing and Media Center		22,500,000.00			
government subsidy for efficiency and capacity expansion project of Wenfeng power plant		22,468,362.49	878,420.42		
Compensation for occupation of jinfenghuang Road		21,679,797.09	30,306,377.09		

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
Sichuan hydrogen fuel cell bus pilot demonstration hydrogenation station construction and industrial operation project		21,646,109.20	3,582,351.50		
Yilong County water environment comprehensive treatment project fund		20,690,000.00			
New AC LED white light source industrialization project		19,771,363.40			
Relocation subsidy of provincial company		19,008,001.12	1,815,594.57		
Special fund for 2015 water pollution prevention and control project of Minjiang Meishan Branch of Minquan River		18,180,283.74	664,905.58		
Financial subsidy for lithium project		17,900,000.00	100,000.00		
Collection by Luhuang road Expressway Management Office		14,730,861.00			
Special fund for infrastructure construction in the early stage of Jiuhuang Airport Phase IV reconstruction and expansion project		13,000,000.00			
Compensation for occupation of Cheng'an Chongqing		12,937,940.27	1,078,161.72		
Mingshan district urban and rural water supply integration project		11,850,000.00			
Sanxingdui Original Animation Film Golden Mask		11,500,000.00			
Special funds for technological transformation		11,416,978.59	4,195,562.90		
Reconstruction and expansion of Yuechi toll station		10,750,000.00			
Jiuzhai Huanglong Airport air traffic control facility renovation project		10,480,000.00			
House demolition at the north gate of Santai Branch of Mianyang		10,453,100.77	778,443.64		
Fushun's first batch of special funds for environmental protection		10,000,000.00			
Industrial Park access road		10,000,000.00			
Approved by the provincial economic and Information Technology Commission, the		10,000,000.00			

Category	Ending balance		Gains or losses	Refund amount	Reason of refund
	Other current liability	Deferred income			
provincial finance allocated industrial development support funds (aaps3200apu test bench project)					
Linshui North Interchange Project in 2018		10,000,000.00			

45. Deferred tax liabilities

Recognized deferred income tax liabilities	Ending balance	Beginning balance
Appreciation of long-term assets valuation	2,255,739,900.83	2,380,093,346.55
Change in fair value of financial assets held for trading	399,799,693.80	642,996,140.24
Depreciation of fixed asset	3,899,288.21	2,025,128.34
Long-term receivables	136,604,805.20	61,365,239.21
Change in fair value of financial assets available-for-sale	9,966,627.46	49,110,472.23
Highway operation rights tax benefit recouped in previous years of Intangible assets	1,826,252.04	2,258,320.10
Equity exchange income*1	304,873,652.76	611,581,889.34
Gains or loss from Residual equity measured by fair value after losing control*2	208,962,242.05	206,889,992.05
Others	263,031,861.68	52,853,200.57
Total	**3,584,704,324.03**	**4,009,173,728.63**

*1. Equity exchange income is the gain on the deferred tax recognized in 2016 by Energy Investment Group in exchange for its stake in Sanxia Jinsha Jiangchuanyun Hydropower development Co., Ltd.

*2. The deductible temporary differences arising from gains or loss from residual equity measured by fair value after losing control is due to the Land Co.'s disposal of 5 project corporations in Renshou.

46. Other non-current liabilities

Item	Ending balance	Beginning balance
New-China Trust Co.	16,000,000.00	185,691,112.00
Compensation for occupation in Chengpeng Expressway	18,766,243.38	20,287,830.66
Payable for airport and provisions for airport maintenance	35,141,707.57	24,273,209.84
payable for construction payable transferred from Yunnan Shuima Expressway		21,984,458.00
Unsettled construction received in advance (Pengxi's Government)	42,810,000.00	42,810,000.00
Unsettled construction received in advance (Management Committee of Suining Jinqiao)	35,000,000.00	35,000,000.00
Funds received in advance in real estate	950,877,709.39	374,467,394.00
Receivables over 1 year	42,367,761.73	24,721,449.19

Item	Ending balance	Beginning balance
Interests of airworthiness fund limited partners	51,213,465.33	
Others	59,537,017.53	20,000,000.00
Total	**1,251,713,904.93**	**749,235,453.69**

47. Paid-up capital

Name of Investor	Book value as of the beginning of the year		Increase during the year (0000)	Decrease during the year(0000)	Book value as of the end of the year	
	Amount of investment(0000)	%			Amount of investment(0000)	%
Sichuan SASAC	6,799,106.00	100.00	605,000.00		7,404,106.00	100.00
Total	**6,799,106.00**	**100.00**	**605,000.00**		**7,404,106.00**	**100.00**

For the detail of the paid-in-capital, please refers to Note I General Information.

48. Capital reserves

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
1. Capital (share capital) premium	47,058,177,987.49	6,754,871,162.19	40,486,823.84	53,772,562,325.84
2. Other capital reserve	55,372,474,195.73	4,817,264,017.36	12,488,340,033.20	47,701,398,179.89
(1) Change in other equities of the investee and others	13,835,967,726.63	2,620,444,961.85	10,600,282,530.55	5,856,130,157.93
(2)Others	41,536,506,469.10	2,196,819,055.51	1,888,057,502.65	41,845,268,021.96
Total	**102,430,652,183.22**	**11,572,135,179.55**	**12,528,826,857.04**	**101,473,960,505.73**

(1) The increases in capital reserve-capital premium are mainly due to:

a. Pursuant to stipulation (Chuan Cai Jian [2018] No.196), the Company has received 2,704.93 million of vehicle purchase tax subsidy for transportation key projects (the first batch) which was appropriated to Communications Group and Railway Investment Group by MOF;

b. Pursuant to stipulation (Chuan Cai Jian [2018] No.197), the Company has received 2,826.30 million of vehicle purchase tax subsidy for transportation key projects (the third batch) which was appropriated to Communications Group and Railway Investment Group by MOF;

c. Pursuant to stipulation (Chuan Cai Jian [2019] No.80), the Company has received 410 million of which was appropriated to Railway Investment Group by MOF;

d. Pursuant to stipulation (Chuan Cai Jian [2019] No.70), the Company has received 100 million of second batch in 2019 transportation construction subsidy which was appropriated to Communications Group by MOF;

e. Pursuant to stipulations (Chuan Cai Tou [2019] No.84, the Company has received RMB 210 million as the fund for rural grid network upgradation.

f. Pursuant to stipulation (Chuan Cai Tou [2018] No.157), the Company has received RMB 100.00 million from Sichuan MOF, as the fund for Green development of Yangtze River Economic Belt.

(2) Changes in other equities of the investee are mainly due to the increase of capital reserve of 1,686,127.6 thousand from other equity changes of Kangding airport group confirmed by aviation group according to 70% shareholding ratio from April to December. This year's decrease is mainly due to the Company gratuitously transferring the capital reserve formed by the central investment of the airport group to the Sichuan SASAC, resulting in a decrease of capital reserve of 10.573 billion.

(3) Other changes

Aviation Group obtained 70% equity of Kangding Airport gratuitously transferred by SASAC of Ganzi Prefecture in March 2019, increasing capital reserve by RMB 1,486,717.8 thousand

Sichuan Energy Investment Materials Industry Group Co., Ltd. gratuitously transferred the equity of Wangcang Pangang Coking Co., Ltd. , increasing the capital reserve by 527,999.9 thousand yuan

Changes in minority shareholders' equity of Sichuan Nanyu Expressway Co., Ltd. subordinate to China railway investment group reduced capital reserve by RMB 1,390,579.2 thousand.

49. Surplus reserve

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Legal earned surplus reserve	779,268,045.68	114,709,090.35		893,977,136.03
Total	**779,268,045.68**	**114,709,090.35**		**893,977,136.03**

50. Retained earnings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Amount as of the end of the previous year	**2,339,604,519.24**	**6,544,494,529.86**
Add: adjustment amount of retained profits at beginning of the year		-2,164,573,405.67
Including: major correction of prior-year error		
Amount at the beginning of the year	2,339,604,519.24	4,379,921,124.19
Add: net profits belonging to parent company owner during the year	1,982,033,694.44	-1,583,591,720.25
Decrease during the year	1,207,063,209.36	456,724,884.70
Including: Withdraw of statutory surplus reserve	114,709,090.35	20,312,279.11
Withdraw of discretionary surplus reserve		
Withdraw of general risk reserve	125,833,119.01	65,589,605.59
Ordinary share dividends payable	966,521,000.00	370,823,000.00

Item	Amount as of the end of the year	Amount as of the beginning of the year
Other decreases		
Amount as of the end of the year	**3,114,575,004.32**	**2,339,604,519.24**

51. Operating income and operating costs

Item	Amount for this year		Amount for last year	
	Income	Cost	Income	Cost
(1) Sub-total of principal businesses	245,184,939,602.35	211,904,467,753.69	196,904,204,686.53	171,355,813,450.52
Including: transportation facilities operation and construction	99,004,304,560.41	79,043,722,804.47	76,520,893,282.45	60,692,882,383.67
Trade*1	117,288,391,892.74	113,127,101,436.62	100,705,024,127.33	97,218,818,302.10
Media and culture	8,835,709,614.40	5,481,621,474.31	8,640,646,323.50	5,263,254,343.84
Power generation and supply	14,125,339,566.51	11,411,336,335.34	8,337,281,754.22	7,117,480,536.02
Others	5,931,193,968.29	2,840,685,702.95	2,700,359,199.03	1,063,377,884.89
(2)Sub-total of other businesses	3,062,576,195.92	1,040,962,239.68	3,295,936,630.48	1,259,494,665.36
Including: rent	335,722,636.44	140,557,278.03	234,295,899.33	70,782,370.64
Fund possession cost	172,519,358.02		115,486,668.20	
Others*2	2,554,334,201.46	900,404,961.65	2,946,154,062.95	1,188,712,294.72
(3) Interest income	68,333,023.13		103,388,589.43	
(4) Commission and brokerage	1,325,707.03	3,004,448.97	9,407.07	351,491.67
Total	**248,317,174,528.43**	**212,948,434,442.34**	**200,303,539,313.51**	**172,615,659,607.55**

*1 Revenue in trade increased is mainly due to the increase of trade revenue of Sichuan Energy Investment Material Industry Group Co., Ltd, a subsidiary of Energy Investment Group, CNPC Railway Co., Guangrun Logistic Trading Company and Sichuan Zhonghang Road& Bridge Company w, Transportation Investment industrial Company and Sichuan Port and Channel Development Company and Sichuan Communications Logistics Co.

*2 Other income in sub-total of other businesses mainly refers to material sales income, power installation project income of the subsidiaries of Energy Investment, and guarantee income and entrusted loan interest income of subsidiaries of Railway Investment Co.

52. Business tax and surcharges

Item	Amount for this year	Amount for last year
Consumption duty	141,824,379.65	81,460,717.78
Urban maintenance and	274,166,229.28	195,585,169.70
Education surcharge	167,448,224.92	124,376,194.08
Local education surcharge	50,286,985.68	37,714,846.45

Item	Amount for this year	Amount for last year
Resource tax	71,165,412.23	60,448,680.09
Stamp tax	160,411,302.12	79,037,646.88
Land value added tax	143,695,367.11	47,307,958.77
Land utilization tax	80,977,041.84	79,564,835.16
Property Tax	157,577,436.10	131,577,983.74
Others *1	179,975,061.69	128,061,868.61
Total	**1,427,527,440.62**	**965,135,901.26**

*1. Other are mainly vehicle and vessel tax and disabled persons security fund.

53. Financial expenses

Item	Amount for this year	Amount for last year
Interest expenses *1	23,388,283,595.29	18,154,589,233.79
Less: Interest income	2,639,024,687.16	1,583,070,508.73
Add: Exchange loss	150,500,198.41	287,883,793.04
Add: Other expenses	683,215,044.24	489,168,531.24
Total	**21,582,974,150.78**	**17,348,571,049.34**

54. Gains from changes in fair value

Item	Amount for this year	Amount for last year
Trading financial assets	3,348,329.39	
Gains from changes in fair value of financial assets at fair value through profit or loss	361,563,081.35	-976,875,288.18
Investment properties at fair value through profit or loss	42,826,478.77	
Total	**407,737,889.51**	**-976,875,288.18**

55. Credit impairment losses

Item	Amount for this year	Amount for last year
Impairment loss on Receivables	-15,433,696.63	
Impairment loss on Other receivables	-201,044,781.39	
Impairment loss on Notes receivables	-168,252.91	
Impairment loss on Long-term receivables	-214,750.00	
Total	**-216,861,480.93**	

56. Impairment losses

Item	Amount for this year	Amount for last year
Bad debt loss	191,300,316.28	-905,957,458.21
Impairment loss of inventory	-153,789,397.08	-232,036,805.96

Item	Amount for this year	Amount for last year
Provision for impairment of available-for-sale financial assets	-4,542,256.45	-339,985,009.53
Impairment loss on long-term receivables	10,570,603.13	-261,925,780.15
Impairment loss on long-term equity investments	-	-78,587,474.45
Impairment loss of fixed assets	-12,531,324.28	-23,741,954.65
Impairment loss of construction in progress	-50,571,273.71	-39,284,908.05
Impairment loss of intangible assets	-9,088.21	-1,073,926.29
Impairment loss of other current asset/other non-current asset	-93,616,307.04	-102,462,721.70
Provision for impairment of other non-current assets maturing with 1 year	237,568,901.37	53,100,760.84
Impairment loss of goodwill	-86,811,507.14	
Loan loss provision	4,506,311.19	-66,655,081.62
Impairment loss on held-to-maturity	-44,000.00	
Impairment loss on investment property	240,530.80	
Impairment loss on biological assets	-853,397.46	
Total	**41,418,111.40**	**-1,998,610,359.77**

57. Investment income

Sources of investment income	Amount for this year	Amount for last year
Gains on long-term equity investment under equity method *1	3,108,867,867.50	1,842,127,237.81
Gains on disposal of equity investment *2	2,663,321,570.87	844,199,397.40
Gains on trading financial assets during holding period	64,684,286.70	32,395,426.95
Gains on held-until-maturity investment during holding period	84,273,062.09	73,193,697.29
Gains on available-for-sale financial assets during holding period	724,582,870.76	975,332,753.34
Gains on other equity instruments	75,124,567.00	
Gains on non-current financial assets	4,817,239.26	
Gains on disposal of trading financial assets	505,383,577.69	15,658,012.58
Gains on disposal of available-for-sale financial assets	428,138,343.05	510,513,265.51
Gains on entrusted loans	525,283,569.22	458,575,669.15
Gains on bank financial products	714,591,562.28	581,761,910.66
Gains on residual equity measured by fair value after losing control	205,175,553.16	827,559,968.15
Others	376,293,654.51	728,780,972.68
Total	**9,480,537,724.09**	**6,890,098,311.52**

*1. Mainly : As the capital increase of Industrial Investment Co. caused by Sichuan Development Asset Management Co. , the Asset Management has a significant impact on it. The original available for sale financial asset investment is converted into long-term equity investment, the difference between the fair

value and book value on the conversion date, and the accumulated fair value change originally included in other comprehensive income are included in the current investment income. On the conversion date, the fair value was 1003.9223 million, the book value was 357.0943 million, and the difference increased the investment income by 646.8279 million.

*2. Mainly the company's recognized investment income from the disposal of Shuyu Mining's equity in 2019 is 1729.4754 million; the income from the outward transfer of equity by Railway Investment Group is 540.8182 million.

58. Gains on disposal of asset

Item	Amount for this year	Amount for last year
Disposal gains on non-current assets	209,174,229.13	203,910,712.04
Including: disposal gains on fixed assets	91,862,499.62	79,653,541.62
Disposal gains on intangible assets	150,153,732.53	124,257,170.42
Disposal gains on investment property	-32,842,003.02	
Disposal gains on non-current assets in debt construction	28,362,119.27	
Total	**237,536,348.40**	**203,910,712.04**

59. Other income

Item	Amount for this year	Amount for last year
Government grants	779,668,930.39	863,953,386.00
Others	668,663.59	1,912,096.70
Total	**780,337,593.98**	**865,865,482.70**

The details of government grants：

Item	Amount for this year	Amount for last year
Government grants of Dujinggang District	45,715,160.22	102,632,418.12
Chengping Port Operating Subsidy		65,355,997.46
VAT immediately levy and refund	61,076,831.65	22,011,270.65
Compensation for land in Longma New City	27,900,000.00	27,900,000.00
Subsidy of Western Cultural City	256,039.93	4,979,278.33
Subsidy of Steady Work	11,327,191.94	9,421,132.42
Tax return	52,901,086.67	30,660,841.30
Reconstruction and extension project of Dazhou and Xujiaba Station		58,016,900.00
Subsidy of reconstruction and extension project of Huaying Toll Station		45,277,914.00
Subsidy of Mianyang Station and Mianyang South Station Toll Station	1,108,032.00	180,216,000.14
Subsidy for BOT project	18,333,509.02	

Item	Amount for this year	Amount for last year
Key industry cultivation support Award	40,987,805.84	
Operating financial reward	11,511,616.45	
Financial subsidies for earthquake damage	79,600,000.00	
Other government grants *1	428,951,656.67	317,481,633.58
Total	**779,668,930.39**	**863,953,386.00**

Other government grants were mainly subsidy of film and TV works, subsidy of construction projects in Sichuan Communications Investment Co..

60. Non-operating income

Item	Amount for this year	Amount for last year
Gains on disposal of non-current assets	2,519,466.99	6,355,351.68
Debt restructuring gains *1	442,250,709.39	827,600,849.55
Acceptance of donation	443,392.70	587,722.34
Non-monetary assets exchange gains	419,217.10	103,737.99
Government grants	204,172,042.94	141,079,880.21
Gain in inventory surplus	878,926.37	11,653,678.75
Compensation income	121,190,351.63	103,537,151.34
Payables unable to pay	47,854,642.83	425,515,843.75
Reversal of provisions*2	536,274,030.30	
Others	215,558,545.87	254,219,893.18
Total	**1,571,561,326.12**	**1,770,654,108.79**

(1) Government subsidies

Item	Amount for this year	Amount for last year
Longtan Infrastructure construction	27,490,286.07	18,600,000.00
Subsidy of Fubao Scenic Area integrated development project	19,264,900.00	11,900,000.00
Subsidy of Industrial Fund		8,066,300.00
Subsidy of tourism facility of Hanyuan Tourism Bureau		26,692,360.00
Subsidy of investment		6,897,400.00
Subsidy of demolition	60,418,214.34	
Private economic support funds	8,388,600.00	
Operating subsidy for Lingshan scenic spot	8,960,000.00	
Listing incentive fee	6,500,000.00	
Policy subsidy for Xinjin Industrial Park	4,419,862.49	
Others	68,730,180.04	68,923,820.21
Total	**204,172,042.94**	**141,079,880.21**

* 1: The debt restructuring gains refers to NOTE IX.

* 2: Provisions reversed 536 million. There is a dispute over the equity transfer between the Land Company and Chengdu Taihang Ruihong Real Estate Development Co., Ltd.. On December 26, 2019, according to the judgment of (2018) CRBC No. 31, both parties reached a memorandum of settlement. In view of the above and settlement agreement, the Land Company offsets the provisions of 536.2703 million recognized in the previous year, and re-estimates the liquidated damages of 18.7389 million according to the current situation.

* 3: Others are mainly financial discount of bonds, subsidy of "San Gong Yi Ye", subsidy of promoting interaction from MOF, and government support funds etc.

61. Non-operating expenses

Item	Amount for this year	Amount for last year
Donations contributed	75,231,970.88	74,661,215.76
Debt restructuring loss		681,951.83
Abnormal loss	29,958,961.00	11,670,310.51
Discard and scrap of fixed asset	55,808,354.93	19,933,542.43
Pending litigation		536,270,300.00
Compensation, liquidated damages and fine expenses	77,942,923.77	39,594,630.62
Others *1	167,580,464.15	187,348,062.87
Total	**406,522,674.73**	**870,160,014.02**

*1. Others are mainly fees of equity purchase, tax of reduction of equity, and repair of road etc.

62. Income tax expenses

Item	Amount for this year	Amount for last year
Current tax expense calculated in accord with the tax stipulation	2,649,483,992.97	2,409,808,288.05
Deferred tax expense adjustment	-346,932,067.60	-894,600,363.13
Total	**2,302,551,925.37**	**1,515,207,924.92**

63. Borrowing costs

Item	Amount for this year
1.Expensed borrowing costs *1	24,788,283,595.29
2.Capitalised borrowing costs	4,680,405,952.95
Including: Capitalized borrowing costs in fixed assets	2,006,166.39
Capitalized borrowing costs in construction in progress	2,085,854,794.91
Capitalized borrowing costs in intangible assets	1,153,904,380.04
Capitalized borrowing costs in inventories	339,104,850.37
3.Capitalised borrowing costs in other non-current assets	1,099,535,761.24

Item	Amount for this year
Total	**29,468,689,548.24**

*1 The difference between the expensed borrowing cost and the financial cost interest expense is that the financial cost interest expense has been offset by the interest subsidy of 1,400 million received by Energy Investment Group.

64. Segment information (Unit: RMB '0000')

Item	Investment or financing business		Transportation facilities operation and construction business		Trade business		Media and culture business	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Operating income	62,067.17	62,565.27	10,877,335.25	7,813,026.12	10,948,569.54	10,141,834.69	924,126.43	874,435.99
Including: external transaction income			10,870,709.90	7,755,012.00	10,948,569.54	10,141,776.07	924,126.43	867,202.71
Inter-segment transaction income	62,067.17	62,565.27	6,625.35	58,014.13		58.63		7,233.28
Gain on investments in joint ventures and associates	36,440.30	40,347.20	90,894.87	67,548.69	4,789.39	8,647.00	17,027.77	7,924.48
Asset impairment loss	82,842.50	-9,463.51	-12,710.75	-35,034.20	5,352.07	-51,297.66	-6,290.55	-14,631.29
Depreciation cost and amortization cost	234.22	119.10	601,427.87	558,045.84	61,566.96	104,339.14	20,438.34	19,586.10
Total profit	114,709.09	20,312.28	381,677.02	243,957.32	73,379.24	72,982.80	126,219.54	106,459.46
Income tax expenses			153,616.60	129,114.41	19,764.82	8,543.79	3,039.23	-606.03
Net profit	114,709.09	20,312.28	228,160.08	114,842.90	53,514.77	64,439.01	123,180.30	107,065.49
Total assets	23,876,636.96	21,096,349.91	80,350,806.78	72,905,661.34	4,355,925.16	7,985,633.70	2,406,509.95	2,131,887.82
Total liabilities	11,522,428.52	9,025,562.64	55,906,663.84	51,110,448.35	2,682,578.82	5,468,729.95	813,877.26	721,936.83
Other significant non-cash items								
Amount of increase in other non-current assets other than long-term equity investments	283,863.23	842,205.60	3,320,299.63	4,348,405.23	-170,318.70	851,988.38	139,111.12	-7,882.65

(Continued)

Item	Power generation and supply business		Other		Elimination		Total	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Operating income	1,471,613.70	973,246.49	634,868.36	305,081.73	-86,863.00	-139,836.36	24,831,717.45	20,030,353.93
Including: external transaction income	1,471,613.70	973,246.49	628,351.54	293,006.02	-11,653.66	110.64	24,831,717.45	20,030,353.93
Inter-segment transaction income			6,516.82	12,075.69	-75,209.34	-139,947.00		
Gain on investments in joint ventures and associates	97,289.06	99,599.64	93,255.29	12,592.49	-28,809.89	-52,446.78	310,886.79	184,212.72
Asset impairment loss	5,358.51	-29,039.47	-52,060.00	-59,276.05	-18,349.97	-1,118.86	4,141.81	-199,861.04
Depreciation cost and amortization cost	163,574.46	124,614.65	67,918.56	20,466.26			915,160.41	827,171.09
Total profit	158,012.01	91,246.78	225,236.32	-12,886.41	-8,036.01	-73,615.69	1,071,197.21	448,456.54
Income tax expenses	9,032.91	-325.58	43,861.48	15,740.32	940.15	-946.12	230,255.19	151,520.79
Net profit	148,979.10	91,572.36	181,374.85	-28,626.72	-8,976.17	-72,669.57	840,942.02	296,935.75
Total assets	14,098,250.31	12,272,820.46	11,142,431.58	8,286,428.93	-21,529,842.76	-19,004,749.15	114,700,717.98	105,674,033.01
Total liabilities	10,231,308.18	8,772,072.72	6,277,897.81	4,553,529.82	-3,769,841.66	-3,329,007.77	83,664,912.77	76,323,272.54
Other significant non-cash items								
Amount of increase in other non-current assets other than long-term equity investments	648,081.88	826,947.16	1,810,858.76	916,218.26	63,269.88	-684,112.72	6,095,165.80	7,093,769.26

Note: the segment information above shall be determined by industry. Since some operation segments involves cross-industry operation, the operating income of various operation segments stated above may be inconsistent with the detailed data disclosed in Note VII 51.

65. Explanation of consolidated cash flow

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for this year	Amount for last year
1.Reconciliation of net profit to cash flow from operating activities	——	——
Net profit	8,409,420,216.91	2,969,357,454.93
Add: provision for asset impairment	175,443,369.53	1,998,610,359.77
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	6,129,879,016.89	5,434,457,630.73
Amortization of intangible assets	2,650,133,913.53	2,395,962,813.95
Amortization of long-term deferred expense	566,618,690.23	441,290,447.44
Loss on disposal of fixed assets, intangible assets and other long-term assets	-237,536,348.40	-203,910,712.04
Losses on retirement of fixed assets ("–" for gain)	55,807,249.59	13,578,190.75
Loss on change in fair value ("–" for gain)	-407,737,889.51	976,875,288.18
Financial expenses ("–" for income)	24,788,283,595.29	19,877,209,233.79
Investment loss ("–" for income)	-9,480,537,724.09	-6,890,098,311.52
Decrease in deferred tax assets ("–" for increase)	-250,158,490.74	-605,883,881.12
Increase in deferred tax liabilities ("–" for decrease)	-181,272,958.16	-270,540,352.50
Decrease in inventories ("–" for increase)	-8,979,338,964.92	-12,086,352,758.61
Decrease in operating receivables ("–" for increase)	-8,751,809,162.22	-12,716,724,053.56
Increase in operating payables ("–" for decrease)	-3,675,545,745.22	8,291,539,189.97
Others		
Net cash flow from operating activities	10,811,648,768.71	9,625,370,540.16
2. Major investment and fund-raising activities involving no cash receipts and payments		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets financed by leasing		
3. Net increase in cash and cash equivalents		
Cash at the end of the year	111,604,669,038.77	115,156,718,077.08
Less: cash at the beginning of the year	115,156,718,077.08	93,238,432,103.49
Add: cash equivalents at the end of year		
Less: cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	-3,552,049,038.31	21,918,285,973.59

(2) Cash and cash equivalents

Item	Amount for this year	Amount for last year
Cash	111,604,669,038.77	115,156,718,077.08
Including: cash on hand	32,233,061.14	29,072,445.63
Bank deposits readily available for payment	106,590,326,928.74	109,970,019,570.27
Other monetary capital that can be used to pay at any time	4,982,109,048.89	5,157,626,061.18
Deposits held at call with the central bank		
Due from banks		
Call loan to banks		
Cash equivalents		
Including: Bond investment due within three month		
Balance of cash and cash equivalents at end of the year	111,604,669,038.77	115,156,718,077.08
Restricted cash and cash equivalents of parent companies and subsidiaries in the Group	3,943,089,985.34	2,042,718,744.24

66. Assets with restricted ownership

1. As of December 31, 2019, assets with restricted ownership are as follow:

Category	Ending Balance	Reasons for being restricted
1.Restricted assets used for mortgaged and pledge guarantees		
Cash and cash equivalents	2,810,797,945.88	Guarantee*1
Inventory	9,266,776,934.69	Loan mortgage，pledge guarantee*2
Account receivables	1,532,186,090.98	Loan mortgage，pledge guarantee
Notes receivables	167,665,066.20	Loan mortgage，pledge guarantee
Dividends	9,696,643.32	
Fixed assets	1,113,291.67	Loan mortgage，pledge guarantee and financial leasing assets*3
Financial assets available for sales	18,252,375,378.64	Loan mortgage，pledge guarantee
Intangible assets	177,507,757.24	Loan mortgage，pledge guarantee*4
Investment property	80,394,057,934.82	Loan mortgage，pledge guarantee
Non-current assets matured within one year	298,941,471.13	Loan mortgage，pledge guarantee
Dividends receivables	337,230,927.56	Loan mortgage，pledge guarantee
Construction in progress	803,422,629.86	Loan mortgage，pledge guarantee
Long-term equity investment	8,791,556,600.00	Loan mortgage，pledge guarantee*6
Long-term receivables	9,191,260,050.70	Loan mortgage，pledge guarantee *5
Other non-current assets	50,000,000.00	Loan mortgage，pledge guarantee
Sub-total	**132,084,588,722.69**	
2. Restricted assets for other reasons		
Cash and cash equivalents	1,132,292,039.46	Special funds under supervision, blocked fund by court
Fixed assets	108,555,346.46	Special funds under supervision, blocked fund by court

Category	Ending Balance	Reasons for being restricted
Other non-current assets	292,174,468.73	Special funds under supervision, blocked fund by court
Other non-current assets	1,441,306,145.53	*7
Sub-total	**2,974,328,000.18**	
Total	**135,058,916,722.87**	

Explanations for major restricted events:

*1. Restricted monetary fund are mainly letter guarantee, credit certificate guarantee and bank acceptance guarantee. For the details, please refer to Notes VII (1) 2.

*2. Restricted inventory was mainly contributed by the loan borrowed by Railway Investment Group, Energy Investment Group, Communications Group and Guoke Co. pledged the project development land.

*3. Restricted fixed assets mainly referred to the loans of the Railway Investment Group with its power station assets, railway assets, houses and buildings, the Energy Investment Group with its houses and buildings, Development International Co. with flight equipment, Environment Investment Group with buildings, equipment, production lines, and Xinzhu Co. shares with buildings as collateral.

*4. Restricted intangible assets mainly referred to the loan of Railway Investment Group, Communications Investment Group and Guoke Co. with their toll collection right of expressway as collateral

*5. Restricted long-term receivables mainly Railway Investment Group's PPP project and Energy Investment Group's receivables for financial leasing which were used as collateral for loan.

*6. Restrictions of long-term equity investment mainly were: (1).the Company pledged RMB 6.06 billion shares in Sichuan Communications for obtaining RMB 5 billion loan from Postal Savings Bank of China Sichuan branch, the loan term is 10 years. As of December 31, 2019, the total balance of the loan is RMB 846.94 million. (2). Energy Investment pledged its equity interests in Hydropower Group for obtaining equity interests in ICBC Credit Ruixin Investment Management Co., Ltd. and bank loans from. (3) Environment Investment Group will use all the equity of Xingwen Water Supply Company, Xingwen Drainage Company, Meishan Drainage Company, Southern Drainage Company, 80% of Guiyang Drainage Company and Beijing SPC (136,835,000 shares) to pledge loans of Agricultural Bank of China, local rural commercial banks and China Minsheng Bank. (4) The Communications Group pledged the loan with the equity income right of China Merchants Road Network Technology Holding Co., Ltd.

*7. Sichuan Langchuan Road Co., Ltd., a subsidiary of Communications Group, signed the Langchuan road Management And Maintenance Transfer Agreement with ABA Transportation Bureau. Since July 1, 2015, ABA Transportation Bureau has the right to manage and use the received Langchuan road assets.

Notes: As of December 31, 2019, the total pledged loan in the consolidated financial statements is about RMB 221.8 billion, yet the pledged and guarantee assets in the restricted assets disclosure above are only

RMB 132.1 billion, which are less than the balance of pledge and guarantee loan due to the reason that the subsidiaries have different understanding of the disclosure of restricted assets and may not fully disclosed the information, which caused the incompleteness of the consolidated information..

VIII. EXPLANATION OF CONTINGENCIES

1. Internal and external guarantees as of December 31, 2019(unit RMB: '0000'):

Guarantor	Intra-group guarantees	Extra-group guarantees
The Company	4,948,900.00	
Energy Investment Group	1,647,435.25	760,244.12
Communications Investment Group	1,532,520.62	790,000.00
Railway Investment Group	6,044,388.93	1,776,761.63
Mineral Investment Group	48,000.00	
Sichuan Non-ferrous Technology	5,000.00	
State-Owned Assets Investment	200.00	
State-Owned Assets Management		6,206.00
Xinzhu Co.	50,621.33	
Guoke	388,851.57	
Salt Industry Investment	12,000.00	
Financial Holding Group		2,476,100.00
Environment Investment Group	175,355.29	
Credit Enhancement		64,000.00
Total	**14,853,272.99**	**5,873,311.75**

External guarantees are as follows:

Guarantor	Guarantee	Amount of guarantee
Financial Holding Group (Financial Guarantee Co.	Financing guaranty business *1	2,476,100.00
State-owned Operation Co.	Financing guaranty business *1	6,206.00
Energy Investment Group	The business of Jinyu Financial Guaranty Company *1	572,910.06
Energy Investment Group	Chengdu Xinzhe western culture and tourism industry equity investment fund center (limited partnership)	27,000.00
Energy Investment Group	Chengdu Xinxia western culture and tourism industry equity investment fund center (limited partnership)	100,000.00
Energy Investment Group	Shuangliu western tourism industry development equity investment fund center (limited partnership)	25,000.00
Energy Investment Group	Yulin Chuanneng Huaxi Environmental Electricity Generation Co.	2,000.00
Energy Investment Group	Zhangming *2	5,000.00
Energy Investment Group	Sichuan Investment Gas Power Generation Limited Co., Ltd.	5,000.00
Energy Investment Group	Sichuan energy investment Chuanhua New Material Technology Co., Ltd	7,985.77
Energy Investment Group	Lianli environmental protection new energy Co., Ltd	10,000.00
Energy Investment Group	Sichuang Mianyang Aizhong Electricity Generation Co.	4,640.92

Guarantor	Guarantee	Amount of guarantee
Energy Investment Group	Sichuan Energy Investment Smart City Investment Co., Ltd	707.37
Railway Investment Group	Sichuan Ba Guang Yu Expressway Development Co., Ltd	388,508.48
Railway Investment Group	Bada Railway Co.	58,540.18
Railway Investment Group	Sichuan Xuda Railway Co., Ltd.	319,597.73
Railway Investment Group	Xudian Railway Co	115,000.00
Railway Investment Group	Chuannan Inter-city railway Co.	325,000.00
Railway Investment Group	Sichuan Luqiao Mining Investment Co.	25,000.00
Railway Investment Group	Sichuan Xiaojin River Hydro-power Development Co.	118,663.34
Railway Investment Group	Ningbo Shutong Road & Bridge Construction Co.	75,000.00
Railway Investment Group	Dacheng Railway Co. (Da-wan segement)	9,587.00
Railway Investment Group	Leba Railway Co.	32,768.90
Railway Investment Group	Sichuan Lianle Railway Co.	170,000.00
Railway Investment Group	Sichuan Ruikong Industrial Co.	124,000.00
Railway Investment Group	Sichuan Chongde Development Industry Co., Ltd	15,096.00
Sichuan Communications Group	Sichuan Port and Waterway Development Co., Ltd	790,000.00
Credit Enhancement	Chengdu Tianfu Shuicheng Urban-rural Water Affairs Construction Co.	64,000.00
Total		**5,873,311.75**

Note1. External guarantee from the Financial Guaranty Co., Guoke and Jinyu Financial Guaranty Co. is the guarantee for clients which will not list the details due to the huge number of clients.

Note2. Sunfor Co, the subsidiary of Energy Investment, signed Maximum Guarantee Contract with Bank of Shanghai, providing guaranty for Zhang Ming's claim, which would be the principal claim, occurred between December 31, 2015 and December 30, 2018. The maximum principal balance of guaranteed claim was no more than 150 million. As of December 31, 2019, Bank of Shanghai provided a loan with the balance of 50 million to Zhang Ming, and Zhang Ming has escaped overseas.

Note: Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of contingency items for a variety of reasons by companies is exist. This consolidated statement is only disclosed based on each company's disclosures.

2. As of December 31, 2019, contingent liabilities arising from major pending actions and arbitrations of the Group

(1)Details of the Group as prosecutor

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Yuexi County Enbo Hydropower Development Co., Ltd	Xu Anhua	Claims dispute	1,575.00	Wenjiang Court accepted and heard the case
Financial Guarantee CO.	Enterprises that not recover the financial guarantees payment	Receivable from financial guarantees payment	3,500.00	RMB 35 million of pending litigation, no final judgment on litigation matters, and the recoverable amount is still uncertain
Sichuan Nonferrous Jinqiao International Trade Co., Ltd	Shanghai Yuanyin Metal Co., Ltd	Disputes over sales contract, payment first, no supply	1,140.73	Auction the mortgaged property to pay off, and the disposal of the mortgaged property has not been completed
Nonferrous Tech.	Guangyuan Chinalco Aluminum Co., Ltd	Disputes over sales contract, payment first, no supply	1,088.84	Settlement agreement reached
Development Ruixin	Chengdu Xincheng International Economic Development Co., Ltd. and guarantor Yan shoubei	Disputes over entrusted loan	70 million principal and its interest	Waiting for the notice of the resumption of the court
Sichuan Communications Production Finance Holding Co., Ltd	Chengdu Tianxiang Environment Co., Ltd	Entrusted loan property preservation	10,910.76	Terminate this execution procedure
Sichuan Communications Production Finance Holding Co., Ltd	Truein Group	Entrusted loan property preservation	20,000.00	End of second instance judgment
Sichuan CCDC Logistics Co., Ltd., Sichuan CCDC Guochu Trading Co., Ltd	Sichuan Guoxin International Trade Co., Ltd., Sichuan Guoxin Liancheng material Trade Co., Ltd	Disputes over trading contract	8,206.37	End of first instance judgment

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Sichuan Communications Group	Sichuan Wanxin Water Conservancy and Hydropower Equipment Co., Ltd	Disputes over sales contracts	1,402.50	Application for enforcement
Sichuan Communications Investment Trading Co., Ltd	Neijiang Kunshan Investment Co., Ltd., Wu Yingsong	Fraud letter of guarantee and failure to collect payment in time	1,030.87	The case has been filed by Jinjiang Branch of Chengdu Public Security Bureau and is under investigation
Sichuan Communications Investment Supply Chain Technology Co., Ltd	Fujian Fuhua Industry and Trade Co., Ltd	Trade contract disputes	6,473.00	No court session

(2) Details of the Group as defendant

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Hebei North Highway Engineering Construction Group Co., Ltd	Sichuan Dawan Expressway Co., Ltd	Idling loss and material adjustment not caused by the applicant	6,256.32	On trial
Panfeng Road and Bridge Company	Sichuan Chengnan Expressway Co., Ltd	Stop work claim loss	2,366.52	To be determined by Chengdu Arbitration Commission

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of litigation items for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on each company's disclosures.

IX. COMMITMENTS

1. Share repurchase commitments

(1). the Company and State Development Fund Co., Ltd. signed equity forward repurchase agreement

Financing Guarantee 2016 Second Shareholders' Meeting Resolution agreed to increase the registered capital of RMB 5 billion which the company and the new shareholder State Development Fund Co., Ltd. (hereinafter referred to as the State Development Fund) each contributed 2.5 billion. On July 25, 2016, State Development Fund, Financing Guarantee, and the company signed the “State Development Fund investment contract" (contract number: 5110201606100000510) (hereinafter referred to as investment contracts). The investment contract stipulated that investment period from State Development Fund to Financing Guarantee is 20 years which from the initial capital payment date of completion date (from 2016 to 2036, hereinafter referred to as the "investment period"). In the investment period and the maturity of the investment period, the state funds shall have the right to realize the investment recovery in accordance with the fifth provision of the investment contract, i.e., from 2021 to 2036, the company repurchase the invest amount RMB 2.5 billion from State Development Fund to Financing Guarantee in 9 installments with amount stipulated in the investment contract. The capital subscribed by the company and the state development fund has been fully funded in October 13, 2016.

(2). the Company and CITIC Trust signed partnership shares forward repurchase agreement

Partnership Agreement signed on 29th April 2016 stipulated that Sichuan Hongyuan emerging industries Equity Investment Fund Management Limited (general partner) (hereinafter referred to as the "great Sichuan") invested RMB 10 million, Citic Trust Co. Ltd (hereinafter referred to as CITIC Trust) invested RMB 4.5 billion, and the company invested RMB 500 million to jointly set up the Xingchuan fund. In May 2016, all partners of the Xingchuan fund signed the "limited priority partnership share forward acquisition agreement" with the Xingchuan Industry Guide fund. According to the agreement, if the company's mandatory acquisition obligations triggered, in accordance with the time stipulated in this Agreement and the purchase price, the company has the priority of limited partnership shares held by CITIC trust. The triggering of compulsory acquisition obligations: a. After the CITIC Trust has paid the capital contribution, any distributable income distribution date, the distributable income obtained by the fund is less than the expected period income; b. Any investment CITIC Trust each paid in capital contribution after the corresponding return date (inclusive) before the fifth natural day, the sum accumulated in the CITIC Trust shall be less than the accumulative quota corresponding to the amount of the paid contribution; c. Any case involving the dissolution or liquidation of the fund before the expiration of the partnership fund shall include, but not limited to, the termination of the request by the regulatory institution, etc; d. Hongyuan Xinxing invests the fund's property in areas where the partnership agreement prohibits investment (except where the investment decision board appointed by CITIC Trust voted to invest).

(3). the Company and ABC-CA signed partnership shares forward repurchase agreement

Partnership Agreement signed on July 13, 2016 stipulated that The Xingchuan Fund invested RMB 750 million, Sichuan Hongyuan invested RMB 10 million, the ABC-CA Fund Management (Shanghai) Co., Ltd. (hereinafter referred to as ABC-CA) invested RMB 3 billion, jointly set up a partnership, Sichuan Development Xingcheng equity investment fund (limited partnership) (hereinafter referred to as the "Xingcheng fund"); In 14th July 2016, the Company and the ABC-CA signed "priority share of the limited partnership agreement", as a result if the Company compulsory purchase obligation is triggered, the Company in accordance with the agreement of the time and the purchase price shall purchase premium limited partnership shares of Xingcheng fund held by ABC-CA.Trigger condition of acquisition obligation: a. During the period of investment, the fund failed to follow the "partnership agreement" agreement on the distribution of income to the period of ABC-CA pay income, profit distribution or payment of income, profit distribution does not meet the "partnership agreement" agreed priority each paid in capital limited partner in the accounting period of the expected return (i.e., the annual rate of return of 4.75%/); b. In the investment period of ABC-CA, the fund failed to follow the "partnership agreement" agreement on investment or investment return to the day ahead of the return of ABC-CA return of principal and payment of income, the return of principal and payment of income has not reached the "partnership agreement" agreement.

(4). the Company and Communications International Trust Co. signed partnership shares forward repurchase agreement

The Company, Industrial Guidance of Fund, Sichuan Hongyuan, and Bank of Communications International Trust Co. signed Cooperation Agreement and Supplemental to Cooperation Agreement in 2017, agreeing to incorporate Sichuan Development Xingzhan Industrial Guidance Funds Partnership Enterprises. Sichuan Hongyuan subscribed contributions 10 million, Bank of Communications International Trust subscribed contributions 2.7 billion yuan as premium partner, and the Company subscribed contributions 500 million. The Company signed Purchase Agreement with Bank of Communications International Trust Co. If Bank of Communications International Trust Co. holds premium limited partnership shares in accordance with Supplemental to Cooperation Agreement, the Company shall forward purchase the shares Bank of Communications International Trust holds. Purchase price is the sum of capital and the investment income of shares of premium limited partnership. The calculation is as follows: Accrual payment= balance of initial capital *5.39%* the actual days of the capital existing/360. Bank of Communications International Trust can get the money after deducting the investment income it get during investment period.

(5). Property Transfer Agreement Signed with the DongzhengRonghui Securities Asset Management Co., Ltd.

From December 2015 to 2016, Energy Investment Group, Xincheng Co., Xincheng Fund, and three financial institutes -Dongzheng Ronghui securities asset management Co., Ltd (hereinafter referred to as the Dongzheng Ronghui), Southern Capital Management Co., and ICBC Ruixin signed Property Transfer Agreement and Agreement of Make up for Deficit respectively. The agreements above made commitments of making up deficit of priority partners equity and transferring equity when investment expiration in Xinzhe Fund, Xinxia Fund, and Xilv Fund.

Xinzhe Fund received priority investment shares of Dongzheng Ronghui held by Energy Investment Group, and Xinzheng Fund has the right to require Energy Investment Group make the transferring commitments if Dongzheng Ronghui has dishonest acts and worse operation situations. Xinxia Fund received priority investment shares of Southern Capital Management Co., from Xincheng Co. and the Energy Investment Group shall make up the deficit. Xilv Fund received priority investment shares of ICBC Ruixin from Xincheng Co. and paid transferring price and commitments gains in 4 installments within 5 years. The Energy Investment Group will make up the deficit.

Pursuant to the agreement above, Energy Group recognized accrued interest amounted to RMB 124,168,717.76, 230,725,000.00, 169,275,000.00, 169,275,000.00 in 2016, 2017, 2018 and 2019 respectively. As of 31 December, 2019, the balance of accrued liability- accrued interest on commitments on transferee shares in partnership is RMB 693,443,717.76.

(6). Sanxin Co. and Tianfu Hongwei signed Agreement on Equity Transfer of 8.02% CETC Avionics Co.

Sanxin Co. (Party A) and Sichuan Tianfu Hongwei Civil military integration Development Equity Fund (LP) (hereinafter refer as to Party B) signed agreement on equity transfer of 8.02% CETC Avionics Co. on March 5, 2018. Sanxin Co. transferred all shares it held of CETC Avionics Co accounted for 8.02 of the CETC Avionics Co shares to Tianfu Hongwei with the consideration of 240,983,010.72 and recognized gains 40,843,980.54.

Sanxin Co. signed supplementary contract with Party B to ensure mutual interests and investment value of the consideration equity on March 5, 2018. Pursuant to the supplementary contract, as of September 30, 2023, Party B has the right to require Party A repurchase the equity with the price and term described in agreement if the following conditions are satisfied:

CETC Avionics Co cannot list in main board, small and medium board, and GEM; the average annualized net assets/ shares in which net assets defines as net assets contributes to parent company during 2018-2022 increases lower than 6.5%.

If the conditions are satisfied and Party B requires Party A repurchase the equity, the price Party A needs to pay depends on the higher result of the following calculation: evaluation value of net assets (based on

September 30, 2023) approved by Party B's supervisor, the formation is following: price=evaluated net assets/share* shares of consideration- dividends during the term; or calculated by annualized interest rate of 8.5%: price=240,983,010.72 * (1+8.5%*the days between date of Party B pay for the equity and date of Party B expected to receive the money/365)- dividends during the term. Pursuant to the agreement, Sanxin recognized accrued liability amounted to RMB 16,779,680.05 in 2018, and 20,483,555.91 in 2019. The total accumulative balance of accrued liability is RMB 37,263,235.96 as of December 31, 2019.

2. Signed significant leasing contracts being or to be performed and their financial impact

As of December 31, 2019(T), the minimum lease payment and minimum lease receipts (annual average static rental) of the irrevocable leasing contract signed by the Group are as follow:

Period	Minimum lease payment	Minimum lease receipts
T+1 year	1,824,327,725.93	1,443,476,220.97
T+2years	1,768,433,044.10	1,274,856,030.19
T+3years	1,566,855,683.54	999,718,044.64
Over T+3years	3,415,722,315.07	3,250,507,608.44
Total	**8,575,338,768.64**	**6,968,557,904.24**

3. Other commitments

1. Unpaid capital injection commitment as of December 31, 2019 (Unit: 0000'):

Investee	Committed capital injection	December 31, 2019	
		Paid	Unpaid
Sichuan Shangshi Environment Investment Co.	8,000.00	1,600.00	6,400.00
Sichuan Development Ruixin Investment Co., Ltd.	6,000.00	1,200.00	4,800.00
Sichuan Dinghao Development Equity Investment Fund Management Co., Ltd.	3,000.00	900.00	2,100.00
Water Environment	8,000.00	1,200.00	6,800.00
Sichuan Chengyu Development Equity Investment Funds Center	30,000.00	3,010.52	26,989.48
Xintu Investment	20,000.00	4,000.00	16,000.00
Chengdu Zhongche	3,000.00	600.00	2,400.00
Xinjin Modern Tram Demostration Project	51,600.00	9,360.00	42,240.00
Anhui Xinzhu Transit	10,000.00		10,000.00
Anhui Xinzhu Aowei	1,000.00	370	630.00
Xinzhu Rail Transit Technology	1,000.00		1,000.00
Beijing Huading New Energy Equity Investment Fund (Limited Partner) Co., Ltd.*1	2,040,000.00	466,900.00	1,573,100.00

*1:In May 2016, Energy Investment Group signed partnership agreement with Beijing Huagai Dingsheng Investment Management (Beijing) Co., Ltd. (hereinafter referred to as Huagai Dingsheng) and Beijing

Huagai Dingsheng New Material Equity Investment Fund (limited partnership, hereinafter referred to as Huading Xincai), jointly set up Beijing Huading Xindongli Equity Investment Fund (limited partnership) (hereinafter referred to as the Huading Xindongli), Energy Investment Group and Huading New Material are limited partner, Huagai Dingsheng is general partner and managing partner. The agreement stipulated in the fund size of RMB 20.202 billion, which Energy Investment Group subscribed RMB 20 billion, Huading New Material subscribed RMB 200 million, Huagai Dingsheng subscribed RMB 2 million. According to the agreement, the executive partner shall charge 2% as the management fee and 20% as the fund's return on the fund from the actual managing fund. The partnership agreement stipulated that Huading Xindongli annually pay the general partner 2% of total capital contribution at the beginning of the year as management fee, and 20% of cash income such as current dividends, interest income of every single project and investment income of the every single project should be distributed to the general partner Huagai Dingsheng. On September 12, 2017, the fund scale agreed in the agreement was changed to RMB 20,602 million, and the Company subscribed RMB 20.4 billion. As of December 31 2019, the Energy Group has invested RMB 4.669 billion.

2. As of December 31 2019, for Xinhua Group, commitment of purchase of long-term assets which have been contracted or authorized by the board of directors but not recognized on the financial statements are RMB 90.916 million, commitment of subscribed capital of the partnership is RMB 179.22 million

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of commitment for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

X. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Adjustments matters subsequent to the balance sheet date

None

2. Non-adjustments matters subsequent to the balance sheet date

1. the Company and ICBC Credit Suisse Investment signed forward repurchase agreement

In 2014, the Company and ICBC Credit Suisse Investment Management Co., Ltd. (hereinafter referred to as ‘‘ICBC Credit Suisse’’) signed an equity transfer agreement and capital increase agreement of Energy Investment Group. The agreement stipulates that: ICBC Credit Suisse establishes “the special asset management plan of capital incensement of Energy Investment Group by ICBC Credit Suisse”, and the Company transferred the unpaid capital of Energy Investment Group for RMB 3 billion of entrusted funds of the special plan, and to increase the capital of Energy Investment Group. The special plan holds 32.20% of equity of the Energy Investment Group after the capital increase. After the completion of capital increase, the paid-in capital of the Energy Investment Group will be RMB 9.316 billion, where the Company paid in RMB6.316 billion and ICBC Credit Suisse paid in RMB3 billion.

Meanwhile, the Company signed an “Transfer Agreement of The Special Asset Management Plan of Capital Incensement of Energy Investment Group By ICBC Credit Suisse” with ICBC Credit Suisse, the agreement agreed that, since six years after ICBC Credit Suisse makes the contribution to the Energy Investment Group, the Company will transfer all shares held by ICBC Credit Suisse according to its contribution of RMB 3 billion under the Transfer Agreement.

The equity repurchase has been completed, and the industrial and commercial registration of change has been completed by Energy Investment Group on April 23, 2020.

2. Significant Financing Activities

(1) The company got the approval of issuing 4 billion corporate bonds to qualified investors

On March 4, 2019, the Company got the *approval of Sichuan Development Co., Ltd issuance of corporate bonds to qualified investors* (Zhengjianxuke(2019) No. 292) and was allowed to issue 15 billion corporate bonds to qualified investors. The bonds were issued by installments, and the initial issuance shall complete within 12 months from the date of approval of the issuance; the issuance of the remaining bonds is within 24 months from the date of approval of issuance. As of December 31, 2019, 11 billion corporate bonds have been issued to qualified investors. The Company issued corporate bonds of RMB 500 million and RMB 3.5 billion to qualified investors in March and April 2020 respectively. As of the reporting date, The issuance of corporate bonds with a total face value of no more than 15 billion yuan to qualified investors approved by CSRC has been completed.

(2) Road & Bridge Co., the subsidiary of Railway Investment, issued short-term commercial paper

Pursuant to the *Registration Notice* issued by National Association of Financial Market Institutional Investors (NAFII) *(China Association of Foreign Trade [2018] CP78),* the commercial paper’s registered amount is RMB 2 billion and will be effective within 2 years from the date of May 25, 2018. The paper is underwritten by China Minsheng Banking Co., Ltd. Road & Bridge Co. issued commercial paper with the amount of RMB 500 million, the paper rate of 2.78%, and the price of RMB 100/note on March 12, 2020.

(3) Road & Bridge Co., the subsidiary of Railway Investment, is planning to issue non-public shares

On April 6, 2020, Road & Bridge Co., Ltd. held the 16th meeting of the 7th board of directors. The plan on The Company's Non-Public Development Of Shares To The Controlling Shareholder was reviewed and approved. In accordance with the plan, Road & Bridge Co. will issue non-public shares within 12 months after being approved by CSRC with the issue price of RMB 4.06/ share, and issue amount of RMB 4,513,086,471.18. After deducting the issuance fee, the amount of this issuance is used to supplement the working capital and repay the bank loan, and the issued shares shall not be transferred within 18 months from the date of completion of this issuance. If laws, regulations and normative documents provide otherwise for the sales restriction period, such provisions shall prevail. The events are in the progress.

(4) Xinzhu Co. issued non-public shares

On February 12, 2020, Xinzhu Co., Ltd. received the Reply On Approval of Non-public Shares of Chengdu Xinzhu Road and Bridge Machinery Co., Ltd. (ZJXK [2020] No. 138) issued by CSRC. Xinzhu Co. Xinzhu Co., Ltd. issued 122.333 million ordinary shares with a par value of RMB 1 per share and a price of RMB 4.27 per share to Sichuan Development Rail Transit Industry Investment Co., Ltd. in a non-public issuance way, with a total amount of raised capital of RMB 522,361,910.00. All the above funds are subscribed in cash. Daxinyz [2020] No. 14-00005 issued by Daxin Certified Public Accountants, an Xinzhu Co. has received the capital contribution of RMB 515,004,119.44 from Shenwan Hongyuan Securities Co., Ltd. on behalf of Rail Transit Co. on March 10, 2020. The actual net amount of raised capital after deducting other issuance expenses of 2,602,333.00 yuan is RMB 512,401,786.44. The transferred capital is RMB 122,333,000.00 yuan, and the balance of RMB 390,068,786.44 yuan, is transferred into capital reserve (capital premium). The total capital is changed from 651,026,035 shares to 773,359,035 shares.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of commitment for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

3. Termination of Development Mining gratuitously acquired the Altantic China Welding Concumables Co.

On November 20, 2017, the Company and Zigong SASAC received Sichuan SASAC’s retransmission of SASAC- Notice about approval of stated-owners of Altantic China welding Concumables Co gratuitously transferred its equity (Chuan Guozi Chanquan [2017] 27). The SASAC agreed the Guozi Chanquan [2017]1149 document’s requirement that Sichuan Altantic Group gratuitously transferred its 270,526,255.00 shares to Development Mining, accounting for 30.14% of the whole equity.

On November 24 2017, Development Mining received the Notice of exemption Development Mining’s tender offer about acquirement of Altantic China welding Concumables Co. issued by China Securities Regulatory Commission(Zheng Jian Xuke [2017]2132). China Securities Regulatory Commission approved the exemption of the tender offer.

On January 18, 2020, Development mining and Atlantic Group signed the Termination Agreement, and both parties agreed that the agreement on Gratuitous Transfer and the attached Voting Power Of Attorney shall be terminated as of the effective date of the Termination Agreement, and both parties shall neither implement the transfer nor the voting power under the Voting Power Of Attorney

4. Other events

Since the outbreak of COVID-19 from January 2020, strong anti-epidemic measures have been adopted in China. The Company expects that the COVID-19 epidemic and prevention and control measures will have a certain temporary impact on the production and operation of the Company, and the degree of impact will depend on the progress and duration of the epidemic prevention and control as well as the implementation

of the prevention and control policies in various regions. The company will continue to pay close attention to the development of pneumonia, evaluate and actively respond to its impact on the company's financial situation, operating results and other aspects. As of the date of this report, the assessment is still in progress.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of subsequent events for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

XI. RELATIONSHIPS OF RELATED PARTIES AND THEIR TRANSACTIONS

1. Relationships of related parties

(1) Parent company and ultimate controlling company

Name of parent company and ultimate controlling company	Place of registration	Nature of business	Proportion of shareholding (%)	Proportion of voting right (%)
State-Owned Assets Supervision & Administration Commission of Sichuan Province	--	--	100.00	100.00

(2) Subsidiaries

See details in Note VI (I) General information of second-level subsidiaries and some major third-level subsidiaries included in consolidated financial statements during the year.

(3) Joint ventures and associates

See details of major joint ventures and associates of the Group in Note VII (XV) Relevant information disclosed by long-term equity investments.

(4) Other related parties

Relationship	Name of related party	Main transaction
Other related parties		
	Sichuan Wanhong Investment Management Co., Ltd	borrowing

2. Related party transactions

(1) Purchasing and receiving services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Commercial Press (Chengdu) Co., Ltd	6,427,831.53	26,735,090.45
Sichuan Airlines Co., Ltd.	338,211.83	108,122.72
Liangshan Xinhua Winshare	109,830.47	875,347.82
Renmingdongfang (Beijing) Publishing Co.,Ltd.	1,533,019.52	3,018,867.92

Relationship and name of the related parties	Amount for this year	Amount for last year
Mingbo Education Technology Co., Ltd		13,345,488.44
Hainan Publishing House	1,719,288.15	5,150,546.53
Total	**10,128,181.50**	**49,233,463.88**

(2) Sales of goods and rendering of services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Sichuan Airlines Co., Ltd	564,126,658.23	473,872,823.86
Chengdu Airlines Co., Ltd	62,887,119.43	69,164,125.24
Sichuan Shida Industrial Salt Co., Ltd	22,813,147.63	19,557,787.22
Liangshan Xinhua Winshare		1,446,847.31
Sichuan Xinzhu Tonggong Automobile Co., Ltd	20,079,574.16	3,756,510.72
Mianxian dingdingrunwu Trading Co., Ltd	259,301,298.91	
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd	155,086,644.03	
Sichuan Energy Investment Quantitative Logistics Development Co., Ltd	107,540,906.69	
Sichuan Yanjiang Panning Expressway Co., Ltd	518,368,906.22	
Total	**1,710,204,255.30**	**567,798,094.35**

(3) Related party lease

Lesser	Lessee	Assets leased	Amount involved in assets lease	Start date	Termination date	Rental income
Sichuan Airlines Group	Sichuan Airlines Co., Ltd	Airline Garden parking lot	8,136,080.14	2007.01.01	2019.12.31	546,666.68
		Sichuan Airlines Jiayuan parking lot	6,223,748.22	2007.07.01	2019.12.31	288,000.00
		42 housing	1,480,572.35	2007.01.01	2019.12.31	159,270.16
		2 vehicles	50,857.90	2007.01.01	2019.12.31	51,327.43
Sichuan AMECO	Sichuan Airlines Co., Ltd	Parking lot	1,889,761.00	2016.11.01	2019.12.31	645,868.22
	Sichuan Airlines Co., Ltd	Warehouse	17,045,259.71	Temporary leasing	Temporary leasing	2,830,000.00
	Xiamen Taigu AMEC Co.	House	72,859.63	2016.07.01	2020.06.30	51,428.58
Sichuan Airlines Group	Sichuan General Airline Investmetn Management Co.	House		2018.9.3	2020.9.2	116,555.17

Lesser	Lessee	Assets leased	Amount involved in assets lease	Start date	Termination date	Rental income
Sichuan Airlines Group	Sichuan Airline Kelite Co.	House	874,971.43	2019.1.1	2019.12.31	874,971.43

(4) Borrowed funds of related parties

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
Land company	Sichuan Hongjing Sichuan Investment Co., Ltd.	45,900,000.00	9.00%	2018/6/12	2020/6/30
		19,500,000.00	9.00%	2018/6/6	2020/6/30
		6,000,000.00	9.10%	2018/9/18	2020/6/30
		1,400,000.00	9.10%	2019/1/14	2020/6/30
		29,800,000.00	9.10%	2019/4/15	2020/4/14
		27,300,000.00	9.00%	2018/3/16	2019/4/17
		81,520,000.00	9.10%	2019/7/29	2020/7/28
		2,000,000.00	9.10%	2019/8/14	2020/8/13
		42,480,000.00	9.10%	2019/8/21	2020/8/20
		27,900,000.00	9.10%	2019/11/20	2020/11/19
Land company	Chengdu Senxinyuan Trading Co.	3,920,000.00	13.00%	2018/12/7	2019/12/6
		3,920,000.00	15.60%	2019/12/6	2020/12/5
		180,615,720.00	12.00%	2018/12/7	2019/4/8
Land company	Renshou Shuheng Real Estate Co.	106,295,500.00	15.00%	2018/8/1	2019/7/31
		106,295,500.00	16.00%	2019/8/1	2020/7/31
		3,740,000.00	13.00%	2018/9/21	2019/9/10
		3,622,044.25	13.00%	2018/7/31	2019/7/23
Land company	Renshou Shurun Real Estate Co.	83,910,000.00	15.00%	2018/8/1	2019/7/31
		83,910,000.00	16.00%	2019/8/1	2020/7/31
		2,105,649.33	13.00%	2018/7/31	2019/7/23
Land company	Renshou Shufeng Real Estate Co.	33,519,600.00	15.00%	2018/8/1	2019/7/2
		50,000,000.00	15.00%	2018/8/1	2019/7/31
		50,000,000.00	16.00%	2019/8/1	2019/10/10
		49,000,000.00	15.00%	2018/8/1	2019/7/31
		49,000,000.00	16.00%	2019/8/1	2019/8/16
		313,052,900.00	15.00%	2018/8/1	2019/7/31
		313,052,900.00	16.00%	2019/8/1	2020/7/31
		330,000.00	13.00%	2018/9/21	2019/9/10
		1,925,000.00	13.00%	2018/12/10	2019/12/9
		24,629,415.25	13.00%	2018/7/31	2019/7/30
		33,519,600.00	15.00%	2018/8/1	2019/7/2
		50,000,000.00	15.00%	2018/8/1	2019/7/31
		50,000,000.00	16.00%	2019/8/1	2019/10/10
Land company	Renshou Shujing Real Estate Co.	100,000,000.00	15.00%	2018/8/1	2019/5/21
		36,480,400.00	15.00%	2018/8/1	2019/7/3
		5,276,762.71	13.00%	2018/7/31	2019/7/20

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
Land company	Renshou Xinghe Real Estate Co.	70,000,000.00	15.00%	2018/8/1	2019/3/22
		40,000,000.00	15.00%	2018/8/1	2019/7/31
		40,000,000.00	16.00%	2019/8/1	2019/10/23
		34,167,500.00	15.00%	2018/8/1	2019/7/31
		34,167,500.00	16.00%	2018/8/1	2020/7/31
		55,000,000.00	13.00%	2019/3/21	2019/4/1
		2,544,962.66	13.00%	2018/7/31	2019/7/23
		12,200,000.00	13.00%	2018/12/10	2019/12/27
		35,100,000.00	13.00%	2018/12/10	2020/12/9
		17,930,000.00	13.00%	2018/9/21	2019/9/16
Development Funds	Sichuan Juxin Development Equity Investment Fund Management Co., Ltd	100,000,000.00	9%	2018/2/13	2020/2/22
Railway Investment Group	Sichuan Yitongda Construction Engineering Design Co., Ltd	46,000,000.00	After 2 years, the interest rate is 15%, and 2-3 years, 20%	2019.1.21	-
Railway Investment Group	Sichuan Ruikong Industrial Co., Ltd	600,000,000.00	10.50%	2019.3.29	2020.3.28
Railway Investment Group	Sichuan Ruikong Industrial Co., Ltd	23,000,000.00	12.00%	2019.11.5	2019.12.4
	Total	**3,132,030,954.20**			

(6) Borrowing from related parties

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
Sichuan Wanhong Investment and Management Co., Ltd	Energy Investment Xincheng Investment company	400,000,000.00	7.80%	2016/12/30	2019/12/30
		200,000,000.00	7.80%	2018/7/17	2019/1/17
		150,000,000.00	7.80%	2018/8/2	2019/2/1
		55,000,000.00	7.80%	2018/8/31	2018/8/31
Sichuan Wanhong Investment and Management Co., Ltd	Chengdu West impression Real Estate Co., Ltd	34,000,000.00	10.00%	2016/12/30	-
Total		**839,000,000.00**			

3. The balances of related parties

(1) Accounts receivables due from related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	101,911,857.95	49,231,225.43
Sichuan Shida Industrial Salt Co., Ltd.	435,386.35	3,041,159.08
Chengdu Airlines Co., Ltd.	15,814,726.64	14,209,223.53

Related party	Ending balance	Beginning balance
Sichuan Xiaojinhe Hydropower Co.	6,090,196.88	6,318,983.29
Shanghai Jingjie Information Technology Co.	195,984.00	195,984.00
Sichuan Wanhong Investment and Management Co.	39,663.55	31,504,280.00
Mianxian Dingdingrunwu Trading Co.	37,104,347.93	25,463,946.21
Sichuan Energy Liangli Logistics Development Co.		6,547,056.80
Sichuan Xinzhu Vehicle Co.	26,745,064.44	5,552,544.80
Dazhou Power Group Co., Ltd	21,380,361.47	
Sichuan Energy Investment Chemical New Material Co., Ltd	146,681,590.24	
Less: Provision for bad debt	4,928,021.75	1,291,032.32
Total	**351,471,157.70**	**140,773,370.82**

(2) Prepayment of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	63,396.23	67,924.53
Mingbo Education Technology Co.	1,200,000.00	1,200,000.00
Deyang Chuanneng Technology Co.		5,080,245.58
Sichuan Furun Enterprise Restructuring Investment Co., Ltd	983,054.16	
Less: Provision for bad debt		
Total	**2,246,450.39**	**6,348,170.11**

(3) Other receivables of related parties

Related party	Ending balance	Beginning balance
Sichuan International Cooperation Co.	86,817,788.47	86,758,498.02
Sichuan Airlines Co., Ltd	2,778,344.80	2,698,664.00
Sichuan Juxin Development Equity Investment Fund Management Co., Ltd	109,715,078.03	100,072,966.76
Chengdu Airlines Co., Ltd	443,625.02	1,823,330.40
Sichuan Financial Asset Transaction Co., Ltd.	7,680.00	7,680.00
Sichuan United Environment Exchange		30,693.27
Tibetan E-commerce Co.	4,960,377.93	19,799,975.03
Jiulong Rongxin Electricity Power Co.	47,651,116.41	50,151,116.41
Sichuan Jinhong Chuanfa Real Estate Co.	256,505,160.00	98,700,000.00
Sichuan Xiaojinhe River Hydropower Co.	45,978,165.55	51,821,923.48
Shanghai Jinxin Information Technology	26,478.80	10,478.80
Sichuan Sibaiyi Jinding Equity Investment Funding Co.	25,029,014.81	25,000,000.00
Sichuan Energy Smart City Co.	107,960.39	8,429,897.08
Sichuan Energy Liangshan Energy Investment Co.	15,908,544.55	16,000,000.00
Sichuan Energy Liangli Logistics Development Co.	78,497,545.46	78,497,545.46

Related party	Ending balance	Beginning balance
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.		532,255,044.44
Sichuan Ruikong Industrial Co.	1,034,121,235.55	267,686,680.92
Sichuan Yitongda Architectural & Engineering Design Co., Ltd	109,208,055.54	51,916,666.67
Sichuan Yanjiang Panning Expressway Co.	862,362.77	120,876.09
Chengdu Senxinyuan Trading Co.	3,920,000.00	184,535,720.00
Renshou Xinhe Real Estate Co.	69,605,437.06	212,000,711.83
Renshou Shufeng Real Estate Co.	313,052,900.00	472,456,915.25
Renshou Shurun Real Estate Co.	106,295,500.00	113,657,544.25
Renshou Shujing Real Estate Co.	83,910,000.00	86,015,649.33
Renshou Shufeng Real Estate Co.		141,757,162.71
Sichuan Xinzhu Auto Co.	105,600.00	360,206,901.03
Chengdu Gaowei Gym Construction and Development Co.	315,000,000.00	315,000,000.00
Sichuan Wudu Electricity Power Station	15,240,409.38	15,000,000.00
Sichuan Tongsheng Industrial Co.	55,000,000.00	
Jiuzhaigou Hongyi Investment Co.	1,406,204,567.83	
Sichuan Energy Investment Chemical New Material Co., Ltd	615,000,000.00	
Sichuan Kangding Airport Group Co., Ltd	100,000,000.00	
Less: Provision for bad debt	433,218,651.03	443,497,341.75
Total	**4,468,734,297.32**	**2,848,915,299.48**

(4) Long-term receivables due from related parties

Related party	Ending balance	Beginning balance
Tibetan E-commerce Co.,Ltd.	70,682,666.67	66,202,666.67
Sichuan Chengdu Mianyang Expressway Co., Ltd	6,675,280.48	
Total	**77,357,947.15**	**66,202,666.67**

(5) Accounts payable due to related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd	4,531,881.20	5,710,871.20
Commercial Printings (Chengdu) Co., Ltd	12,914,869.35	8,096,016.99
Shanghai Jingjie Technology Co.,Ltd.	18,941.36	18,941.36
Sichuan Deyang Xingchen Packaging Co., Ltd	177,626.51	
Hainan Publishing House Co., Ltd	1,011,811.50	
Mingbo Education Technology Co., Ltd.	190.00	190.00
Sichuan Xinzhu Auto Co.	35,900.00	35,900.00
Total	18,691,219.92	13,861,919.55

(6)Prepayment of related parties

Related party	Ending balance	Beginning balance
Mingbo Education Technology Co., Ltd.	1,360,000.00	1,360,000.00
Chengdu Ruiyinfangda Equity Fund Management Co.	9,600.00	128,669.05
Sichuan Ruikong Industrial Co.	338,557.46	277,946.03
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.		713,932.24
Sichuan Yanjiang Panning Expressway Co., Ltd	150,221,783.84	
Sichuan Ba Guang Yu Expressway Development Co., Ltd	127,995,550.90	
Total	**279,925,492.20**	**2,480,547.32**

(7) Other payables of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	13,332,177.36	9,409,222.51
Sichuan International Consulting Co.,Ltd.	5,977,415.69	
Sichuan Fuhang Capital Equity Investment Funds Management Co., Ltd.	92,584.00	83,520.00
Sichuan Guoxing Commercial Information Co., Ltd.	12,000.00	14,518.53
Sichuan Wanhong Investment Management Co., Ltd.	839,000,000.00	812,421,072.00
Tibet E-Commerce Co.	14,459,755.27	1,302,541.30
Sichuan Winshare Baowan Supply Chain Co.	2,700,594.04	6,108,537.18
Sichuan Energy Liangli Logistics Development Co.	2,487,469.00	13,251,037.13
Sichuan Xintei Mining Co.		104,330.80
Sichuan Ruikong Industrial Co.	305,740.62	305,740.62
Chengdu Ruiyinfangda Equity Fund Management Co.	424,607.78	424,607.78
Sichuan Wudu Electricity Power Station		15,000,000.00
Aluminum Energy Qingxin company	21,427,494.91	
Dazhou Power Group Co., Ltd	50,000,000.00	
Total	**950,219,838.67**	**858,425,127.85**

Since the consolidation of the financial statements of the Group's subsidiaries, the difference of understanding and disclosure of related parted transaction by companies is exist. This consolidated statement is only disclosed on the basis of the company's disclosures. As a result, the Group may not fully present and disclose the related relationship and related transactions in the consolidated statements

XII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other receivables

Items	Ending balance	Beginning balance
Interest receivables	546,073,481.21	610,656,682.03

Dividend receivables	740,670,989.04	629,841,885.69
Other receivables	17,831,487,788.15	11,839,567,417.43
Total	**19,118,232,258.40**	**13,080,065,985.15**

(1). Interest receivables

Items	Ending balance	Beginning balance
Interest of entrusted loans	367,328,103.57	311,656,089.29
Interest of unified loans	141,009,266.11	255,760,686.20
Others	37,736,111.53	37,736,111.53
Interest of financial product		5,503,795.01
Total	**546,073,481.21**	**610,656,682.03**

(2). Dividend receivables

Items	Ending balance	Beginning balance
Sanxin Co.	166,000,000.00	166,000,000.00
Financial Holding	140,719,261.96	
Equity Investment Fund	63,113,800.00	63,113,800.00
Environment Investment Co.	50,837,927.08	40,728,085.69
Land Company	63,111,100.00	71,000,000.00
Sichuan City Investment Co.	256,888,900.00	289,000,000.00
Total	**740,670,989.04**	**629,841,885.69**

(3). Other receivables

Category	Ending balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	9,657,025,690.56	52.94	320,000,000.00	3.31
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——
Ageing combination	238,848,694.50	1.31	12,149,047.92	5.09
Related-party combination	8,229,946,053.20	45.12		
Provision combination	4,024,531.97	0.02		
Subtotal	8,472,819,279.67	46.45	12,149,047.92	0.14
Individually insignificant other receivables for which provision for doubtful debts is made individually	110,831,413.61	0.61	77,039,547.77	69.51
Total	**18,240,676,383.84**	**100.00**	**409,188,595.69**	**2.24**

(Continued)

Category	Beginning balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	6,177,416,990.49	50.45	320,000,000.00	5.18
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——
Ageing combination	1,795,685.99	0.01	154,438.10	8.60
Related-party combination	5,819,284,666.50	47.53	6,983,500.00	0.12
Provision combination	50,840,169.34	0.42		
Subtotal	5,871,920,521.83	47.96	7,137,938.10	0.12
Individually insignificant other receivables for which provision for doubtful debts is made individually	194,407,390.98	1.59	77,039,547.77	39.63
Total	**12,243,744,903.30**	**100.00**	**404,177,485.87**	**3.30**

(1) Other receivables with doubtful debt provision made using aging analysis method

Item	Ending balance		Beginning balance	
	Balance	Provision for doubtful debt	Balance	Provision for doubtful debt
Within 1 year	235,515,697.26	11,775,784.86	1,333,107.59	66,655.38
1-2years	3,278,270.48	327,827.05	369,107.46	36,910.75
2-3years				
3-4 years			85,197.94	42,598.97
4-5 years	46,453.76	37,163.01		
Over 5 years	8,273.00	8,273.00	8,273.00	8,273.00
Total	**238,848,694.50**	**12,149,047.92**	**1,795,685.99**	**154,438.10**

(2) Other significant individual receivables with debt provision made using individual determination method

Debtor	Book value	Provision	Age	Reasons for provision
Sichuan Chemical Group Co.	1,500,000,000.00		Within 1 year	Expected to be collected
Funds appropriated on behalf of Department of Finance of Sichuan Province	628,057,662.69	320,000,000.00	1-5 years	Based on the estimated losses

Debtor	Book value	Provision	Age	Reasons for provision
Department of Finance of Sichuan Province – payments made for others	5,091,545,405.00		4-5 years	Note 1
Jinniu Hotel	180,000,000.00		Within 1 year	Expected to be collected
Sichuan Development Investment Co.	2,257,422,622.87		Within 1 year	Expected to be collected
Total	**9,657,025,690.56**	**320,000,000.00**		

Note1: Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its documents to support the development of enterprises in the province. Settlement is made with the Department of Finance after the completion of all appropriations, with no provision for impairment made.

(3) Other insignificant individual receivables as of the end of the year but with bad debt provision made on individual basis

Name	Book value	Provision for doubtful debt	Reasons for provision
Sichuan Chemical Holding (Group) Co., Ltd.	83,791,865.84	50,000,000.00	Based on the estimated losses
Sichuan Textile Industry Apparel, Footwear and Headwear Company	5,000,000.00	5,000,000.00	The other party is on the verge of bankruptcy; unlikely to be recovered
Zongfu Industrial (Group) Co. Ltd.	19,500,587.56	19,500,587.56	Uncertainty of repaying capability
Sichuan Business School	2,538,960.21	2,538,960.21	Expected to not be collected
Total	**110,831,413.61**	**77,039,547.77**	

2. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Investment in subsidiary	128,461,078,970.04	23,970,166,613.87	3,567,483,617.20	148,863,761,966.71
Investment in associates	26,219,510,283.02	2,296,884,308.15	11,997,315,158.65	16,519,079,432.52
Total book value	**154,680,589,253.06**	**26,267,050,922.02**	**15,564,798,775.85**	**165,382,841,399.23**
Less: Provision for impairment				
Carrying amount	**154,680,589,253.06**	**26,267,050,922.02**	**15,564,798,775.85**	**165,382,841,399.23**

(2) Details of long-term equity investment

Name of investee	Beginning balance	Increase	Decrease	Ending balance
Sichuan Communications	62,854,231,453.90	5,602,030,000.00		68,456,261,453.90
Sanxin Company	1,505,000,000.00		10,000,000.00	1,495,000,000.00
Energy Investment Development	7,796,092,161.75	210,000,000.00		8,006,092,161.75
Equity Fund	100,000,000.00			100,000,000.00
Airlines Group	683,876,421.19	50,000,000.00		733,876,421.19
Publishing Group	1,499,543,907.61			1,499,543,907.61
Xinhua Group	2,856,258,619.78			2,856,258,619.78
Nonferrous Technology	18,820,826.11			18,820,826.11
Mineral Investment Group	236,697,833.37	100,000,000.00		336,697,833.37
Salt Industry Investment	889,696,923.36			889,696,923.36
Wood factory	22,939,413.43			22,939,413.43
State-Owned Investment	409,729,108.92			409,729,108.92
State-Owned Assets Operation	2,123,427,057.83			2,123,427,057.83
Railway Investment Group	23,879,612,900.37	6,539,200,000.00		30,418,812,900.37
Industry Fund	3,000,000,000.00			3,000,000,000.00
Southwest Equity	50,000,000.00			50,000,000.00
Guocheng Fund	48,262,050.00			48,262,050.00
Development International	1,498,422,268.87			1,498,422,268.87
Tianrui Mining	1,123,528,800.00		1,123,528,800.00	
Sichuan City Investment Co., Ltd.	4,000,000,000.00			4,000,000,000.00
Water Environmental Protection	100,000,000.00		58,809,964.23	41,190,035.77
Development City Investment	60,000,000.00	1,479,192,988.91		1,539,192,988.91
Energy Investment Development	38,154,600.00			38,154,600.00
Nonferrous New Material	20,000,000.00			20,000,000.00
Keneng Lithium	26,600,000.00			26,600,000.00
Yielding Co.	6,213,120.41			6,213,120.41
Energy Mining	15,000,000.00			15,000,000.00
Leading Fund	80,000,000.00			80,000,000.00
Development Mining	231,850,000.00	2,070,281,800.00		2,302,131,800.00
Xingchuan Fund	500,000,000.00			500,000,000.00
Beichuan Investment	30,000,000.00			30,000,000.00
Rail Transit	600,000,000.00	60,000,000.00		660,000,000.00
Developmemnt Guoye	330,000,000.00		330,000,000.00	

Name of investee	Beginning balance	Increase	Decrease	Ending balance
Guoyuan Agriculture Investment	51,000,000.00			51,000,000.00
Environment Investment Co.	806,776,369.50	2,307,128,268.09		3,113,904,637.59
Land Company	500,000,000.00			500,000,000.00
Financial Holding	7,355,179,000.00			7,355,179,000.00
Development Guohong	400,000,000.00	764,219,200.00		1,164,219,200.00
Xinzhan Fund	300,000,000.00			300,000,000.00
Guohui Micro-Credit	350,000,000.00			350,000,000.00
Credit Enhancement	1,000,000,000.00			1,000,000,000.00
Industry Park	30,000,000.00	370,000,000.00		400,000,000.00
Big Data	25,000,000.00	855,000,000.00		880,000,000.00
Chuanfa Investment	182,000,000.00	217,500,000.00		399,500,000.00
Xinzhu Co.	827,166,133.64			827,166,133.64
Leading Capital		400,000,000.00		400,000,000.00
Guokang Energy		8,462,421.85		8,462,421.85
Shengtian New Energy		892,007,082.05		892,007,082.05
Chuanfa Construction		44,380,498.52	44,380,498.52	
Development Jinjiang		500,764,354.45	500,764,354.45	
Shuyu Mining		1,500,000,000.00	1,500,000,000.00	
Total	**128,461,078,970.04**	**23,970,166,613.87**	**3,567,483,617.20**	**148,863,761,966.71**

(Continued)

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the year	Cash dividend for the year
Sichuan Communications	Cost method	68,456,261,453.90	80.00			
Sanxin Company	Cost method	1,495,000,000.00	100.00			
Energy Investment Development	Cost method	8,006,092,161.75	100.00			341,352,900.00
Equity Fund	Cost method	100,000,000.00	100.00			
Airlines Group	Cost method	733,876,421.19	100.00			54,441,700.00
Publishing Group	Cost method	1,499,543,907.61	100.00			41,740,000.00
Xinhua Group	Cost method	2,856,258,619.78	100.00			111,230,000.00
Nonferrous Technology	Cost method	18,820,826.11	100.00			
Mineral Investment Group	Cost method	336,697,833.37	100.00			
Salt Industry Investment	Cost method	889,696,923.36	100.00			

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the year	Cash dividend for the year
Wood factory	Cost method	22,939,413.43	100.00			
State-Owned Investment	Cost method	409,729,108.92	100.00			
State-Owned Assets Operation	Cost method	2,123,427,057.83	100.00			14,624,000.00
Railway Investment Group	Cost method	30,418,812,900.37	100.00			
Industry Fund	Cost method	3,000,000,000.00	100.00			
Southwest Equity	Cost method	50,000,000.00	50.00			17,500,000.00
Guocheng Fund	Cost method	48,262,050.00	100.00			8,893,529.34
Development International	Cost method	1,498,422,268.87	100.00			
Sichuan City Investment Co., Ltd.	Cost method	4,000,000,000.00	100.00			
Water Environmental Protection	Cost method	41,190,035.77	69.44			
Development City Investment	Cost method	1,539,192,988.91	100.00			4,622,520.82
Energy Investment Development	Cost method	38,154,600.00	2.32			
Nonferrous New Material	Cost method	20,000,000.00	6.01			
Keneng Lithium	Cost method	26,600,000.00	45.22			
Yielding Co.	Cost method	6,213,120.41	0.51			
Energy Mining	Cost method	15,000,000.00	10.34			
Leading Fund	Cost method	80,000,000.00	100.00			28,750,000.00
Development Mining	Cost method	2,302,131,800.00	100.00			
Xingchuan Fund	Cost method	500,000,000.00	100.00			
Beichuan Investment	Cost method	30,000,000.00	100.00			
Rail Transit	Cost method	660,000,000.00	100.00			
Guoyuan Agriculture Investment	Cost method	51,000,000.00	51.00			
Environment Investment Co.	Cost method	3,113,904,637.59	100.00			50,837,927.08
Land Company	Cost method	500,000,000.00	19.72			
Financial Holding	Cost method	7,355,179,000.00	100.00			140,719,261.96
Development Guohong	Cost method	1,164,219,200.00	100.00			
Xinzhan Fund	Cost method	300,000,000.00	100.00			
Guohui Micro-Credit	Cost method	350,000,000.00	70.00			4,450,075.73

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the year	Cash dividend for the year
Credit Enhancement	Cost method	1,000,000,000.00	25.00			42,738,511.66
Industry Park	Cost method	400,000,000.00	100.00			2,305,391.08
Big Data	Cost method	880,000,000.00	100.00			
Chuanfa Investment	Cost method	399,500,000.00	100.00			
Xinzhu Co.	Cost method	827,166,133.64	16.06			
Leading Capital	Cost method	400,000,000.00	100.00			
Guokang Energy	Cost method	8,462,421.85	51.00			
Shengtian New Energy	Cost method	892,007,082.05	51.60			25,712,334.99
Total		**148,863,761,966.71**				**889,918,152.66**

(3) Investments in joint ventures (unit: in RMB 10 thousand)

Name of Investee	Investment Cost	Beginning Balance	Changes in this year								Ending Balance	Ending Balance of provisions
			Additional Investment	Decreased Investment	Investment Income	OCI Adjustment	Other Equity Changes	Dividends	Impairment	Others		
Joint Ventures												
Airport Group	4,925,114,004.77	17,335,396,460.39	49,610,159.84		54,447,413.34		-10,069,589,108.44	45,530,857.67			7,324,334,067.46	
Pharmaceutical Group	16,135,321.65	216,780,955.44			55,205,128.27		-126,869.42				271,859,214.29	
Shengtian New Energy	869,913,273.75	472,639,272.05	419,367,810.00							-892,007,082.05		
Logistics Industry	269,750,328.52	291,180,558.33			1,375,609.98		59,716,938.51				352,273,106.82	
Sichuan Xingwen ShihaiTianxia qi Culture and Tourism Investment Co.	480,000,000.00	485,563,021.46			5,690,159.25						491,253,180.71	
Yusheng Wine Investment Management	12,495,000.00	15,050,156.22	1,000,000.00		3,675,700.22			4,125,000.00			15,600,856.44	
Sichuan Tourism Investment Group	800,000,000.00	815,568,145.30			879,667.33	667,893.11	-19,319.05	303,700.00			816,792,686.69	
Avic Chengdu Aircraft Co.	250,000,000.00	221,118,070.90	75,000,000.00		814,018.74		731,390.33	2,087,976.00			295,575,503.97	
Guobao Life Insurance	300,000,000.00	286,148,360.20			-5,146,516.12						281,001,844.08	
Xinchengbeidou	28,600,000.00	27,572,358.31			406,736.07						27,979,094.38	
Ouya Co.	25,000,000.00	24,323,111.13			205,775.81						24,528,886.94	
Shengwan Hongyuan	5,442,791,183.72	6,012,109,722.97			257,520,016.37	51,560,805.86	297,528,216.45	56,227,181.65			6,562,491,580.00	
Development Wine	15,409,347.97	16,060,090.32			-4,399,924.45						11,660,165.87	
Tianfu AG EXPO PARK	49,999,999.00		50,000,000.00	1.00	-6,270,754.13						43,729,244.87	
Total	**13,485,208,459.38**	**26,219,510,283.02**	**594,977,969.84**	**1.00**	**364,403,030.68**	**52,228,698.97**	**-9,711,758,751.62**	**108,274,715.32**		**-892,007,082.05**	**16,519,079,432.52**	

(4) Major financial information of important joint ventures (unit: 10 thousand)

Item	2019							
	Airport Group	Pharmaceutical Group	Logistic Industry	Xingwen Tourism Investment	Yusheng Wine	Tourism Group	Avic Chengdu Craft	Shenwan Hongyuan
Current Asset	737,204.76	475,091.45	247,067.04	115,765.74	2,900.69	636,507.38	220,649.24	
Non-current Asset	4,788,017.07	55,262.93	190,463.00	8,229.52	878.05	495,250.15	95,685.25	
Total Current Asset	5,525,221.83	530,354.38	437,530.04	123,995.26	3,778.74	1,131,757.52	316,334.49	38,853,726.46
Current Liabilities	446,888.49	360,735.98	263,778.95	1,181.96	920.90	311,621.20	149,597.81	
Non-current Liabilities	895,448.23	8,469.02	14,799.80			364,196.06	39,976.14	
Total Liabilities	1,342,336.72	369,205.00	278,578.75	1,181.96	920.90	675,817.26	189,573.95	30,370,585.77
Net Assets Attributes to the Parent Company	3,978,454.14	77,616.85	148,071.89	122,813.30	2,857.84	287,251.42	126,760.55	8,158,097.27
Percentage of Holding Stock	18.41%	34.00%	17.54%	40.00%	60.00%	28.27%	18.98%	4.49%
Net Asset Share Calculated by Percentage of Holding Shares	732,433.41	26,389.73	25,971.81	49,125.32	1,714.71	81,205.98	24,059.15	407,089.05
Adjustments						-		
Book Value of Equity Investment to Joint Ventures	732,433.41	27,185.92	35,227.31	49,125.32	1,560.09	81,679.27	29,557.55	657,274.02
Fair Value of Equity Investment with Public Price						-		
Operating Revenue	435,784.55	1,086,761.91	1,112,107.18		2,654.72	298,615.05	208,440.62	2,459,341.18
Finance Expense	5,693.86	1,957.42	9,841.96	-638.16	-0.46	8,848.34	-673.58	
Income Tax Expense	10,237.15	6,270.57	689.27	631.67	215.38	2,000.53	84.31	-112,389.03
Net Profit Attributes to the Parent Company	29,574.91	16,236.80	784.27	1,482.59	612.62	311.17	428.88	573,541.24
Other Comprehensive Income						-		
Total Other Comprehensive Income Attributes to the Parent Company	29,574.91	16,236.80	784.27	1,482.59	612.62	311.17	428.88	700,222.61
Received Dividend from Joint Ventures in this year	4,553.09				412.50	30.37	208.80	5,622.72

(Continued)

Item	2018							
	Airport Group	Pharmaceutical Group	Logistic Industry	Xingwen Tourism Investment	Yusheng Wine	Tourism Group	Avic Chengdu Craft	Shenwan Hongyuan
Current Asset	1,483,234.97	442,887.71	238,988.03	116,483.85	2,503.04	346,614.53	208,095.92	
Non-current Asset	3,667,721.38	21,923.21	181,690.47	5,225.02	903.08	318,062.31	99,452.34	
Total Current Asset	5,150,956.35	464,810.92	420,678.50	121,708.87	3,406.12	664,676.84	307,548.26	34,772,503.49
Current Liabilities	373,864.00	338,570.74	226,019.80	378.16	960.89	156,438.64	141,075.72	
Non-current Liabilities	893,241.97	4,380.49	101,963.95			235,761.81	39,426.23	
Total Liabilities	1,267,105.97	342,951.23	327,983.75	378.16	960.89	392,200.45	180,501.95	27,652,910.58
Net Assets Attributes to the Parent Company	3,688,645.33	63,736.20	82,833.51	121,330.71	2,445.23	223,469.56	127,046.32	6,939,932.47
Percentage of Holding Stock	45.81%	34.00%	25.66%	55.00%	40.00%	28.27%	18.98%	4.99%
Net Asset Share Calculated by Percentage of Holding Shares	1,689,768.43	21,670.31	21,255.08	48,532.28	1,344.87	81,477.00	24,113.39	346,302.63
Adjustments								
Book Value of Equity Investment to Joint Ventures	1,733,539.65	21,678.10	29,118.06	48,556.30	2,108.64	81,556.81	22,111.81	601,210.97
Fair Value of Equity Investment with Public Price								
Operating Revenue	405,038.51	840,949.07	686,930.40		2,654.72	182,352.54	165,559.67	1,527,742.59
Finance Expense	7,672.64	5,663.14	7,760.55	-672.87	-1.03	4,813.51	-1,412.76	
Income Tax Expense	11,676.16	5,407.04	1,352.61	476.07	255.36	5,958.89	752.47	93,945.68
Net Profit Attributes to the Parent Company	27,393.45	14,028.88	2,674.16	1,385.78	700.60	918.87	3,672.29	416,018.87
Other Comprehensive Income								-73,642.74
Total Comprehensive Income Attributes to the Parent Company	27,393.45	14,028.88	2,674.16	1,385.78	700.60	963.70	3,672.29	336,053.88
Received Dividend from Joint Ventures in this year		593.71			603.63		186.02	5,622.72

(5)Long-term equity investments of the Company are mainly investments in holding companies. Investees are under normal operation without any indication of impairment. Therefore, no provision is made for long-term equity investments.

3. Operating income and operating cost

Item	For this year		For last year	
	Income	Cost	Income	Cost
1. Fund possession income	451,992,469.32		440,464,030.55	
2. Revenue from guarantee	168,679,245.21		185,188,678.13	
Total	**620,671,714.53**		**625,652,708.68**	

4. Investment income

Category	Amount for this year	Amount for last year
Gain of financial product	145,437,397.73	213,302,610.74
Gain on long-term equity investments	1,273,358,428.05	1,393,402,298.99
Including: Gain on investments recognized using the equity method	364,403,030.68	403,472,001.62
Gain on investments recognized using cost method	908,955,397.37	989,930,297.37
Gain on disposal of long-term equity investments	434,415,852.51	42,690,193.44
Gain on available-for-sale financial assets	105,339,391.49	839,058.05
Gain on entrusted loans	2,317,690,112.80	1,567,656,258.17
Others	21,779,180.68	151,621,832.58
Total	**4,298,020,363.26**	**3,369,512,251.97**

5. Supplementary information about cash flow of the parent company

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for this year	Amount for last year
1.Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,147,090,903.50	203,122,791.08
Add: provision for asset impairment	-828,425,020.03	94,635,113.70
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	1,411,185.43	891,669.54
Amortization of intangible assets	131,207.97	144,728.16
Amortization of long-term deferred expense	799,847.16	154,623.84
Loss on disposal of fixed assets, intangible assets and other long-term assets		-1,012,267.35
Losses on disposal of fixed assets (‘‘–’’ for gain)		
Loss on change in fair value (‘‘–’’ for gain)		

Item	Amount for this year	Amount for last year
Financial expenses (‘‘–’’ for income)	4,477,931,767.28	3,537,266,218.58
Investment loss (‘‘–’’ for income)	-4,298,020,363.26	-3,369,512,251.97
Decrease in deferred tax assets (‘‘–’’ for increase)		
Increase in deferred tax liabilities (‘‘–’’ for decrease)		
Decrease in inventories (‘‘–’’ for increase)	-173,372.56	-306,666.53
Decrease in operating receivables (‘‘–’’ for increase)	-199,905,651.36	-391,428,415.35
Increase in operating payables (‘‘–’’ for decrease)	-183,099,498.46	-5,684,933.88
Others		
Net cash flow from operating activities	**117,741,005.67**	**68,270,609.82**
2.Material investing and financing activities not involving cash receipts and payments:		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets transferred from financial lease		
3.Net increase in cash and cash equivalents:		
Balance of cash As of the end of the year	10,539,628,200.03	8,133,460,565.01
Less: Balance of cash As of the beginning of the year	8,133,460,565.01	10,223,956,137.16
Add: Balance of cash equivalents As of the end of the year		
Less: Balance of cash equivalents As of the beginning of the year		
Net increase in cash and cash equivalents	**2,406,167,635.02**	**-2,090,495,572.15**

(2) Cash and cash equivalents

Item	Amount for this year	Amount for last year
I. Cash	10,539,628,200.03	8,133,460,565.01
Including: cash on hand	31,914.12	23,949.12
Bank deposits readily available for payment	10,539,596,285.91	8,133,436,615.89
Other monetary capital that can be used to pay at any time		
II. Cash equivalents		
Including: bond investment which will be matured within three months		
III. Balance of cash and cash equivalents at end of the year	10,539,628,200.03	8,133,460,565.01
Restricted cash and cash equivalents of the Company		

XIII. OTHER SIGNIFICANT EVENTS TO BE EXPLAINED

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of commitment for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

1. Sichuan Expressway, the subsidiary of Sichuan Communications, does not depreciate the Operation Toll Highways

Expressways including Guangshan Road, Naqian, Dashan, Guangnan, Duwen, Cheng-De-Nan, Banan, Guanggan, Ya-Mei-Le, Dawan, Duwen, Lipan, Bashan, Bada etc. which Sichuan Expressway Company, a subsidiary of the Sichuan Communications Investment Group, and its related holding subsidiaries operates, have come into use since 2012. When considering accounting and reporting of government-loan toll road, the Sichuan Expressway combined Regulation on the Administration of Toll Roads and the Characteristics of government-loan toll road as well as with reference to the management of counterpart of other government-loan toll road outside of the province, recognizing the toll fees as income but not depreciate the related highway assets. The accounting treatment was approved by the board and filed with SASAC of Sichuan Province. As of December 31, 2019, the government-loan toll road mentioned above was recorded as fixed assets totaling of RMB 133.401 billion and in construction in progress totaling of RMB 6.226 billion. The Financial Reports of Sichuan Expressway from 2014 to 2019 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants (appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. As the toll road nature of Sichuan Expressway is still not clear, although it didn't strictly comply with the Regulation on the Administration of Toll Roads, neither Sichuan Express Company nor the Company has received from related departments that the accounting and reporting are in nonconformity with any notices or similar documents. Therefore, when the Company includes the Financial Statements of the Company into the consolidated statements, it didn't make any adjustment to the financial statements of Sichuan Expressway Company.

2. The disclosure of railway assets of Railway Investment Group in joint ventures

Approved by Sichuan SASAC (The group has not obtained written approval), Railway Investment Group recognizes escrowed assets as other non-current assets (Joint ventures railway assets) which include: Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway in constructions in process, equity interests in Chenglan Railway, Chengyu Special Railway, Chengmianle Railway in long-term equity investment, equity interests in Chengkun Railway,Chenggui Railway, Xicheng Special Railway, Bada Railway,Chengya Railway and Lanyu Railway in financial assets available-for-sale. As end of the 2015, the value was RMB 29.172 billion, the value is RMB 40.729 billion as of the end of 2016, as end of the December 31, 2017, the value is RMB 45.348 billion, as end of the December 31, 2018, the value is RMB 49.901 billion and as end of the December 31, 2019, the value is RMB 55.179 billion. Sichuan SASAC engaged BDO Certified Public Accountants, Zhonghui Certified Public Accountants, Dahua Certified Public Accountants and Xigema Certified Public Accountants to issue the standard unqualified opinion audit reports for the Financial Reports of 2015 and 2019. Since uncertainties of the characteristic of the assets, and Investment Railway Group and the Company did not receive any Notice or documents of related departments that measurement and report were not satisfied with the stipulations, the audited financial statement is not adjusted when preparing the consolidated Financial Reports.

3. Payment of debts on behalf of government

On 30 June, 2014, in accordance with People's Government of Sichuan Province [2014] No.35 document, the Company entered into subject change agreement of borrowing contract and debt transfer agreement respectively with Beichuan Yuqiang Company, Agricultural Development Bank of China (hereafter refers to as Agricultural Development Bank) and Agricultural Development Bank of China (hereafter refers to as Agricultural Bank) to undertake the loans of Yuqiang Company of RMB 256.9 million in Agricultural Development Bank and RMB 2,311.10 million in Agricultural Bank as well as to take over the land and other assets originally pledged for the borrowing. On July 2015, in accordance with the Approval of Restructuring Post-disaster Reconstruction Government Debt of Beichuan (Chuan Guo Zi Gai Ge [2015] No.1) issued by SASAC of Sichuan Province, Beichuan Development Investment Company was established and was in charge of the process of subsequent assets transfer and disposal. The 2.78 billion debts and the interest would be recognized as other non-current asset.

On December 2015, Yuqiang company (Party A), Beichuan Development Company (Party B), and the company (Party C) jointly singed "State-owned Asset Non-compensated Transfer Agreement". The pledged assets of Party A and loans with interest of Agricultural Development Bank and Agricultural Bank of China branch in Beichuan undertook by Party C are transferred to Party B to undertake. Beichuan Development Company and Yuqiang Company completed the assets transfer progressively as at end of 2016. According to the "Assets Evaluation Report on The Intended to Be Recorded and Estimated Asset Owned by Beichuan Development Company" (Chuan Hai Ping Bao Zi [2016] No.68), the market value of the received assets was RMB 997,550,900.00 on the valuation date December 31, 2015. There was a huge difference between the principal and interest of the debt received and the market value. The part of the company's creditor's rights (including estimated related interest) due to the debt compensation exceeding the fair value of the debt paying assets received by Beichuan Development Company totaling 2,335,526.9 thousand was expected to be unrecoverable. Since the transaction was implemented in accordance with the meeting minutes ([2014] No.35) of Sichuan People Government and was not the normal operation transaction, the Company treats the issued mentioned above as an equity transaction, and records expected loss from compensatory debt as capital reserve, in accordance with Enterprise Accounting Principles.

On December 5, 2016, the company reported to Sichuan SASAC by "Report on the opinions of the Sichuan Development restructuring post-disaster reconstruction government debts of Beichuan" and report to Sichuan Finance Department at the same time.

4. Significant Asset transfer and management in this year

1. The equity transfer between Energy Investment and Sichuan SASAC

According to the Notice of Sichuan SASAC about Gratuitous Transfer Sichuan Chemical Holding (Group) Co. Ltd to Energy Investment Group (Chuan Guozi Chanquan[2015] 77 in December 3, 2015), Sichuan

SASAC gratuitously transferred 100% equity of Sichuan Chemical Holding (Group) Co. Ltd (hereinafter referred to as the Sichuan Chemical Holding Group) to Energy investment. On March 1, 2017, the registration of industrial and commercial change has been completed. However, due to the unsolved matters existed prior to the transfer, the supervision institution still managed Sichuan Chemical Holding Group. Therefore, Sichuan Chemical Holding Group was not consolidated in the financial statements of Energy Investment.

2. Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group, the wholly owned subsidiary of Sichuan Chemical Holding Group.

According to the Custody Agreement signed between Sichuan Chemical Holding Group and Energy Investment in March 16, 2015, Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group. Entrustment term: the entrustment term commenced from the day of the agreement signed to the approval of competent department that Energy Investment exercises responsibility as contributor or to the approval of alternatives. During the term of entrustment, Energy Investment was entrusted to manage the following matters: Asset capital management, personnel management, engineering construction supervision and management, production and operation supervision, financial supervision, investment and financing management. Energy Investment does not charge for the entrusted management and do not enjoy the right to distribute the income of Sichuan Chemical.

5. The significant investment during the year

On April 28, 2019, Environmental Investment Group signed the *Share Transfer Agreement* with Beijing Shiji Dihe Holding Co., Ltd. (hereinafter referred to as "Siji Dihe"), the former controlling shareholder of Beijing SPC Co., to acquire 25.31% of the equity of Beijing SPC Co. held by Siji Dihe and Zhang Kaiyuan, the actual controller (the total equity of Beijing SPC Co. at the end of 2018 is 1.081 billion shares), 273.67 million shares. The consideration paid was RMB 2.458 billion.

The equity transfer was approved by the SASAC of Sichuan province on May 24, 2019, the transfer registration of the above shares was completed on July 5, 2019, and the securities transfer registration confirmation issued by China Securities Depository and Clearing Co., Ltd. was obtained on July 8, 2019.

After the completion of the above equity transfer, Environment Investment Group has become the largest shareholder of Beijing SPC Co., accounting for 25.31% of the total share capital and has control over the financial and production and operation decisions of Beijing SPC

6. Significant debt financing during this year

1. Issuance of 11 billion bonds

On March 4, 2019, the Company obtained the reply of CSRC on Approving the Public Issuance of Corporate Bonds by Sichuan Development Holding Co., Ltd. to Qualified Investors (ZJXK (2019) No. 292),

approving the Company's public issuance of corporate bonds with a total face value of no more than RMB 15 billion to qualified investors. The Company's bonds are issued in installments. The first issue shall be completed within 12 months from the date of issuance approved by CSRC. The other issues shall be completed within 24 months from the date of issuance approved by CSRC. This approval shall be valid for 24 months from the date of approval. As of December 31, 2019, RMB 11 billion of corporate bonds have been publicly issued to qualified investors. The specific distribution is as follows:

Date of issuance	Bond No.	Issued amount (100 million)	Duration	Coupon rate
March, 2019	19 Chuanfa 01	20	5	4.30%
	19 Chuanfa 02	10	10	4.75%
August, 2019	19 Chuanfa 03	15	5	3.83%
	19 Chuanfa 04	15	7	4.22%
November, 2019	19 Chuanfa 05	5	7	4.40%
	19 Chuanfa 06	20	10	4.75%
December, 2019	19 Chuanfa 07	5	5	3.90%
	19 Chuanfa 08	20	10	4.57%
Total		110		

2. Issuance of 7 billion bonds

According to the resolution of the 77th meeting of the second board of directors of the company in 2018, it is agreed to the Plan For The Registration and Issuance of Interbank Market Debt Financing Instruments in 2018-2019, and the total scale of the registration and issuance of interbank market debt financing instruments in 2018-2019 shall not exceed RMB 13 billion, of which the registered issuance of medium-term notes shall not exceed RMB 11 billion and the registered issuance of perpetual bonds shall not exceed RMB 2 billion. The specific distribution is as follows:

Date of issuance	**Bond No.**	**Issued amount (100 million)**	**Duration**	**Coupon rate**	**Interest period**
April, 2019	19 CFZ MTN001	30	3	4.08%	2019/4/23-2022/4/21
April, 2019	19 CFZ MTN002A	10	5	4.60%	2019/4/30-2024/4/26
April, 2019	19 CFZ MTN002B	10	7	4.90%	2019/4/30-2026/4/28
July, 2019	19 CFZ MTN003A	10	5	4.00%	2019/7/12-2024/7/10
July, 2019	19 CFZ MTN003B	10	7	4.47%	2019/7/12-2026/7/10
Total		70			

7. Earnest Money of Proposed Equity Transaction with Xing Neng New Material Corporation

Energy Investment signed Strategic Framework Agreement about Equity Reconstruction with Chengdu Xing Neng New Material Corporation (hereinafter referred as to “Xing Neng”) and Luo Chaohua on

November 10, 2015. Energy Investment paid off RMB 50 million earnest money on 2015 November and December to Xing Neng Company after Luo Chaohua pledged 48,066,034 shares. According to the Framework Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Luo Chaohua on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Framework Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

On March 18, 2016, Energy Investment (Party A), Xing Neng Company (Party B), Luo Chaohua(Party C) and Party D (Sino Merit Holdings Limited, Chengdu Xin Neng Heng Xin Technology Co., Chengdu Yiyun Technology Co., and Chengdu Tongyong Special Plastic Co.) signed Strategic Cooperation Agreement of Supplemental Earnest Money of Equity Reconstruction. After Party D pledged 1.75 million shares, 1.8 million shares, 1.35 million shares, and 4 million shares to Energy Investment respectively on March 2016, Energy Investment paid off total 150 million earnest money to Xing Neng Company on April and June 2016. According to the Supplemental Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Xing Neng Company on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Supplemental Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

As of December 31, 2019, the agreement of purchasing equity has no substantive progress, and the 200 million has still not taken back. Energy Investment has already recognized RMB 50 million bad debt according to the debt aging combination method.

8. Introduction of Hanlong Asset package received by Guoke Co. and debt reconstruction

Supreme People’s Court appointed Sichuan Higher People’s Court as court of jurisdiction of Hanlong Group’s involved assets on June 15, 2016. Meanwhile, Sichuan SASAC was the temporal management legal person authorized by Sichuan government. Hanlong assets involved the assets of Hanlong Group and asset and liability of 44 enterprises that it invested (not including cash and cash equivalents and long-term investments). the audited total assets of the package were amounted to 18.178 billion, the total liabilities were amounted to 21.44 billion, while the net assets were -3.262 billion and appraisal value was 256 million according to the notice of court’s auction. The package also involved 9.069 billion with 22 financial institutes (mainly the principal and interest of the loan that is due or not due).

Mianyang Technology and Sicence Development and Investment Group Co. (hereinafter refer as SDIC) received the asset package under the court’s sentence. Then the asset package involving 44 enterprises will be transferred to Guoke Co., a joint investment of SDIC and Sanxin Company (managed by the Company).

Guoke Co will manage and operate the package in the form of marketization. Both shareholders of Guoke shall burden the obligation and enjoy the right according to the proportion of shares.

As of end of 2018, the package completed transferring to Guoke Co. After Guoke company took over the assets and liabilities of Hanlong group, the Group took a lot of positive and effective measures to resolve the debt risk in order to maintain social stability and resume the normal operation of the enterprise as much as possible. The Group has arranged Shuxi Investment to purchase bank debt (including notes, short-term and long-term loans) of Guoke Co.

In 2018, the Guoke handled a total of 1.346 billion bank claims, 2.090 billion corresponding debts, and recognized 744 million of debt restructuring income. In 2019, Guoke handled a total of 310 million bank claims, 751 million corresponding debts and recognized RMB 441 million of debt restructuring income. After the purchase, the debt to bank of subsidiary of Hanlong transferred to the debt to the internal Group. The principal decreased dramatically and the Company achieved the purpose of decrease risk of debt.

9. Investment of Fengyuan Mining Co.

Industry Fund invested reconstruction project of Yanbian Zhongtai Mining Co. subjected to Panzhihua Fengyuan Mining Co. (hereinafter refer as to Fengyuan Mining) on September 2014 and the investment amount was 1billion. Because of the decreasing price of iron concentrate and Ilmenite concentrate from 2014, divergent business philosophy of shareholders, repayment loan in advance, and lack of raw mine, Fengyuan Mining suspended production in 2015, and restarted in stage to product during October 2015 to March 2016. As of end of 2019, Fengyuan Mining did not restart production and the Group made the provisions for Fengyuan Mining totaling 243.9878 million.

10. Disposal of Initial Maturity Fund of Industry Fund

Industry Fund was a corporation system fund established on May 2011, and approved by NDRC for the purpose of implementing the national requirements of supporting Sichuan “5.12” post-disaster reconstruction. The initial fund term is 7 years. Pursuant to the Approval of Transformation of Industry Fund to Investment Fund Group Company (Chuan Guozi Planning [2018] NO.9) by Sichuan SASAC on March 2018, Industry Fund shall work in subsequent job like modify article of company, wind up fund, and transfer assets etc., ensure duly exist of the company, deal with perfectly the residual problems related to initial fund and push the transformation development of the company. The initial fund of Industry Fund totaling 6.135 billion was due on June 23,2018 and the work of wind up is in progress. As of December 31, 2019, Industry Fund has completed the withdrawal of the preferred shareholder and Guochen Co., and has become the wholly owned subsidiary of the Company and paid-up capital reduced to RMB 3 billion.

11. the transfer of 49% shares of Chengdu Yihexin and Chengdu Xinchuang held by the Land Company

In 2016, Land Co. and Taixing Hongrui Co. signed Framework Agreement of Equity Transfer, Cooperation Agreement of Project Development, and Supplement Cooperation Agreement of Project Development. Chengdu Yihexin, Chengdu Xinchuang 49% equity that Land Co. held shall transfer to Taixing Hongrui Co. with the consideration of 739.4996 million subjected to the agreements mentioned above. After completing the transfer, the Land Co. and Taixing Hongrui Co. will cooperate to development the land Chengdui Xinchuang owns.

At the end of 2017, the transaction above suspended, and equity transfer procedure did not complete. On March, 2018, Taixing Hongrui Co. accused Land Co. and required Land Co. complete the equity transfer procedure and pay for the penalty.

On January 14, Sichuan premium court made a civil ruling (2019) CCB No. 2, freezing the basic bank account under the name of the land company within the limit of 320 million yuan, and sealing up the state-owned land use right under the name of the Land Company. On October 17, 2019, the Sichuan premium court made a decision to freeze the RMB 290 million guarantee deposit provided by Land Company in order to replace the state-owned land use right under the seal of Chengdu Xinchuang. As of December 31, 2019, due to the above matters, the bank deposit of Land Company is RMB 290 million, and the deposit of Chengdu Xinchuang bank is RMB 1,929,200.

On November 15, 2019, Sichuan premium court made the following judgment (2018) Chuan min Chu No. 31): (1) Land Company changed its 49% equity in Chengdu Yihexin to Taihang Ruihong Co; (2) Land Company paid the liquidated damages to Taihang Ruihong Co. (the liquidated damages are based on RMB 739.4996 million, and 0.002% per day from July 12, 2016 to the date of registration of the change of equity; (3) Land Company transferred the creditor's rights of Chengdu Yihexin totaling RMB 24.598 million and Chengdu Xinchuang totaling RMB 502,033,720 held by Chengdu Yihexin to Taihang Ruihong Co.. The Land Company completed the equity transfer formalities in January 2020, and the Sichuan premium court lifted the property preservation of Land Company, Chengdu Yihexin and Chengdu Xinchuang.

On December 26, 2019, Land Company and Taihang Ruihong company, based on the development and current situation of the 279 project of Huafu (now named Chuanfa Tianfu Shangcheng), in order to better promote the smooth implementation of the relevant work of the cooperative development between the two parties, reached a settlement record according to the judgment of (2018) Chuanmin Chu No. 31: complete the industrial and commercial registration of equity transfer as soon as possible; Taihang Ruihong Co. is exempt from the extension of Land Company the liquidated damages (i.e. the amount calculated from July 12, 2016 to the date of equity transfer according to the standard of 0.02 ‰ per day based on RMB 739 million); the litigation preservation shall be terminated after equity transfer; Land Company agrees that

Taihang Ruihong will send an audit and evaluation companies to audit and evaluate the current status of the project after signing this agreement. In view of the above settlement memorandum, Land Company offsets the provisions of RMB 536.2703 million accrued in the previous year, and recognizes the liquidated damages of RMB 18.7389 million according to the current situation.

12. Major adjustment of long-term equity investment of Airport Group

On August 27, 2019, Sichuan SASAC issued Reply on Matters Related To Transfer Of Central Invested Funds Into National Capital Plan Of Sichuan Airport Group Co., Ltd (SASAC [2019] No. 126) and approved the transfer of RMB 18.298 billion of central investment funds to the national capital, and the registered capital of the airport group increased from 2.891 billion to 21.189 billion after the transfer, of which SASAC held the shares 93.73%, the Company held 6.27%. Upon the request of the company, on December 19, 2019, Sichuan SASAC issued Reply on The Free Transfer of 12.14% Equity of Airport Group Held By Sichuan SASAC (SASAC [2019] No. 195) and approved the transfer of 12.14% of the equity of the Airport Group owned by SASAC to the Company for free. As of the reporting date, the Company holds 18.41% of the equity of Airport Group.

As the central investment increased the registered capital of Airport Group and was held by the Sichuan SASAC, the equity ratio of Airport Group held by the Company decreased from 45.99% to 18.41%, and difference of the net assets enjoyed according to the new equity ratio (the benchmark date is December 31, 2018) and the original book long-term equity investment of the Company was RMB 10.573 billion, adjusting the capital reserve of the Company.

13. 91.71% equity of Shuyu Mining transferred by the Company

In April 2019, the Company and the Mining Investment Group jointly reported to the Sichuan SASAC the implementation plan for Restructuring And Reform of Sichuan Shuyu Mining Investment Co., Ltd. and obtained the approval of SASAC. According to the plan, from August 2019 to October 2019, the Mining Investment Group transferred 20% of the shares of Shuyu Mining to the Company, Sanxin Co. transferred 47.96% of the shares of Shuyu Mining to the Company and the Company increased capital to Shuyu Mining by 1.5 billion. After restructuring, the equity structure of Shuyu Mining is as follows: Sichuan Development holds 91.71%, Mining Group holds 5.92%, and Furun holds 2.37%.

On November 20, 2019, the Company and Sichuan Development Investment Co., Ltd. (according to the industrial and commercial information, its registered capital is 2.13 billion, and its shareholder is Sichuan SASAC) jointly submitted to Sichuan SASAC the request for approval of equity agreement transfer of Shuyu Mining Investment Co., Ltd. (CJD [2019] No. 605). The Company plans to transfer its 91.71% equity in Shuyu Mining to Sichuan Development Investment through non-public agreement transfer. According to the audit and evaluation results on November 30, 2019 as the benchmark date, on December

30, 2019, Sichuan SASAC issued the reply on matters related to the 91.7% equity of Sichuan Shuyu Mining Investment Co., Ltd. held by Sichuan Development to Sichuan Development Investment Co., Ltd. (cgzcq [2019] No. 51). According to the audit and appraisal results on November 30, 2019 as the benchmark date, Sichuan SASAC issued the Reply on Transfer Related to 91.7% Equity of Sichuan Shuyu Mining Investment Co., Ltd. Held By Sichuan Development To Sichuan Development Investment Co., Ltd. (CGZCQ [2019] No. 51), it is agreed in principle that the transfer price shall not be lower than the appraisal value of 1,930.5 million.

14. The Government Guidance Fund managed by the Group

(1) The Sichuan Provincial Department of Finance, Sichuan Province Economic and Information Commission commissioned the company as entrusted management agencies. According to its commission, the Company specifically fulfills the duties of the investor, and is responsible for the daily management of small and medium funds. According to the agreement, escrow funds and investments of the Company are individually accounted. The details of the entrust fund are as follow:

Item	Ending Balance	Item	Ending Balance
Monetary Funds	966,619,692.18	Special Account Payable	4,141,584,836.05
Financial Assets-available for-Sales	47,600,000.00	Other comprehensive income	-42,007,721.45
Long-term Investment	3,053,083,741.97	Undistributed Profit	-32,273,680.45
Total Assets	**4,067,303,434.15**	**Total Liabilities and Income**	**4,067,303,434.15**

(2) On December 23, 2015, Sichuan finance department and equity fund signed the Entrust Agreement of Financial Contribution by Sichuan Innovation Enterprise Investment Guidance Fund. Sichuan finance department entrusted Equity Fund to be an issuer to set up the fund mention before (expect for the stock engaged fund), Equity Fund shall set up the fund with total size which is no lea than 4 times capital contributed by finance department, stands for the contributor of finance department to contribute, management, withdraw, distribute, liquidate and other rights of contributor, and collects the entrust management fee and obtains performance incentives. The guidance fund and equity fund mentioned above shall be individually accounted. As at December 31, 2019, the details of the fund are as follow:

Item	Ending Balance	Item	Ending Balance
Monetary Funds	425,718,383.43	Special Account Payable	2,490,000,000.00
Financial Assets-available for-Sales	2,064,661,549.62	Other Account Payable	379,933.05
Total Assets	**2,490,379,933.05**	**Total Liabilities**	**2,490,379,933.05**

Sichuan Development Holding Co., Ltd

June 19, 2020

Sichuan Development Holding Co., LTD.
Financial Statements and Auditor's Report
for the year ended 31 December 2018

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(Note: Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail)

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Independent Auditors' Report

XYZH/2019CDA20295

To the Board of Directors of Sichuan Development Holding CO., LTD:

We have audited the accompanying financial statements of Sichuan Development Holding CO., LTD (hereinafter to be referred as Sichuan Development Company) which comprise the consolidated and company balance sheets as at 31 December 2018, the consolidated and company income statements, statement of changes in equity and cash flow statement for the year ended 31 December 2018 and notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis for preparation mentioned in Note II, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of basis for preparation mentioned in Note II in all material respects and present fairly the consolidated and the Company's financial positions as of December 31, 2018, and the consolidated and the Company's operations and cash flows for the year ended December 31, 2018.

ShineWing Certified Public Accountants

PRC certified public accountant

PRC certified public accountant

Beijing, China

April 29, 2019

Consolidated Balance Sheet

As at December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd. Unit: RMB Yuan

Item	Note	Closing balance	Opening balance
Current assets			
Cash and cash equivalents	VI. 1	117,199,436,821.32	94,613,328,196.60
Settlement reserves			
Loans to banks and other financial institutions			
Financial assets at fair value through profit or loss	VI. 2	3,201,558,372.37	4,877,860,511.31
Derivative financial assets			218,019.60
Notes&Accounts receivable	VI. 3	22,151,299,394.60	15,375,545,182.52
Including: Notes receivable		737,921,953.99	674,817,627.55
Accounts receivable		21,413,377,440.61	14,700,727,554.97
Prepayments	VI. 4	8,076,456,006.36	7,381,171,546.00
Premium receivable			
Reinsurance receivable			
Reinsurance contract reserves receivable			
Other receivables	VI. 5	35,984,953,907.37	30,492,986,684.77
Including: Interest receivable		732,838,801.09	479,451,773.31
Dividends receivable		143,822,891.99	32,262,252.32
Financial assets under reselling agreement			
Inventories	VI. 6	58,841,397,587.11	44,812,445,031.28
Assets held for sale			
Non-current assets due within one year	VI. 7	10,445,355,708.06	3,714,490,436.06
Other current assets	VI. 8	17,493,009,790.61	13,770,142,372.33
Total current assets		**273,393,467,587.80**	**215,038,187,980.47**
Non-current assets			
Loans and advances to customers	VI. 9	7,291,162,585.62	7,358,766,259.53
Available-for-sale financial assets	VI. 10	32,490,309,909.23	35,728,287,599.33
Held-to-maturity investments		607,701,686.98	500,095,400.00
Long-term receivables	VI. 11	87,918,763,599.85	87,350,582,849.77
Long-term equity investments	VI. 12	73,539,653,075.38	52,184,031,167.85
Investment properties	VI. 13	3,647,360,499.20	1,976,368,719.88
Fixed assets	VI. 14	252,223,391,679.14	232,673,588,134.76
Construction in progress	VI. 15	86,329,437,638.52	66,676,462,928.41
Productive biological assets		60,298,965.35	36,255,739.20
Oil and gas assets			
Intangible assets	VI. 16	152,426,128,626.56	138,627,335,391.09
Development costs		481,949,530.33	73,814,384.65
Goodwill	VI. 17	3,336,400,334.63	1,145,931,918.54
Long-term deferred expenses	VI. 18	1,041,669,171.72	911,332,866.67
Deferred tax assets	VI. 19	2,161,381,469.01	1,248,319,302.14
Other non-current assets	VI. 20	79,791,253,786.02	64,562,375,405.67
Total non-current assets		**783,346,862,557.54**	**691,053,548,067.49**
Total assets		**1,056,740,330,145.34**	**906,091,736,047.96**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Balance Sheet (Continued)
As at December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	Closing balance	Opening balance
Current liabilities			
Short-term loans	VI. 22	39,257,542,561.81	36,777,633,820.34
Loans from central bank			
Deposits from banks and other financial institutions			
Inter-bank borrowing			
Financial liabilities at fair value through profit or loss			
Deriative finance liabilities			
Notes&Accounts payable	VI. 23	45,279,599,844.92	32,498,255,648.10
Advances from customers	VI. 24	12,864,841,367.63	10,929,801,130.20
Payments for the redemption of financial assets			
Fee and commission payable			
Employee benefits payable	VI. 25	3,352,726,226.95	2,640,830,723.54
Taxes payable	VI. 26	3,354,530,809.49	2,105,691,267.17
Other payables	VI. 27	32,887,850,819.70	24,034,937,917.08
Including: Interest payable		4,586,380,893.93	2,513,784,554.24
Dividends payable		788,772,270.57	886,792,554.45
Reinsurance account payables			
Insurance contracts reserves	VI. 28	499,732,537.57	421,767,116.91
Deposits from customers for broking of securities			
Deposits from customers for underwriting of securities			
Liabilities held for sale			
Non-current liabilities due within one year	VI. 29	48,202,219,108.90	39,079,857,931.07
Other current liabilities	VI. 30	8,878,747,937.09	5,028,296,388.63
Total current liabilities		**194,577,791,214.06**	**153,517,071,943.04**
Non-current liabilities			
Long-term loans	VI. 31	444,063,824,303.44	405,749,924,786.90
Bonds payable	VI. 32	78,590,086,737.64	43,948,939,742.13
Including: Preferred shares			
Perpetual bonds			
Long-term payables		36,178,656,955.53	28,987,347,493.31
Long-term employee benefits payable	VI. 33	35,137,312.63	41,279,602.25
Provisions	VI. 34	1,700,753,689.52	938,397,745.46
Deferred income	VI. 35	3,328,066,002.91	2,851,523,543.24
Deferred tax liabilities	VI. 36	4,009,173,728.63	3,673,153,243.47
Other non-current liabilities	VI. 37	749,235,453.69	3,147,893,900.40
Total non-current liabilities		**568,654,934,183.99**	**489,338,460,057.16**
Total liabilities		**763,232,725,398.05**	**642,855,532,000.20**
Shareholders' equity			
Share capital	VI. 38	67,991,060,000.00	67,756,060,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	VI. 39	102,430,652,183.22	87,308,284,402.26
Less: Treasury shares			
Other comprehensive income		874,629,175.95	1,314,377,201.69
Special reserves	VI. 40	38,867,140.80	94,161,439.89
Surplus reserves	VI. 41	779,268,045.68	758,955,766.57
General risk provision	VI. 42	85,966,956.69	20,377,351.10
Retained earnings	VI. 43	2,339,604,519.24	6,544,494,529.86
Total equity attributable to shareholders of the Company		**174,540,048,021.58**	**163,796,710,691.37**
Non-controlling interests		118,967,556,725.71	99,439,493,356.39
Total shareholders' equity		**293,507,604,747.29**	**263,236,204,047.76**
Total liabilities and shareholders' equity		**1,056,740,330,145.34**	**906,091,736,047.96**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Balance Sheet of the Company

As at December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	Closing balance	Opening balance
Current assets			
Cash and cash equivalents		8,133,460,565.01	10,223,956,137.16
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes&Accounts receivables			
Including: Notes receivable			
Accounts receivable			
Prepayments		904,598.56	2,394,794.30
Other receivables	XII. 1	13,080,065,985.15	11,140,669,182.91
Including: Interest receivable		610,656,682.03	570,164,525.79
Dividends receivable		629,841,885.69	177,482,200.95
Inventories		1,752,473.08	1,445,806.55
Assets held for sale			
Non-current assets due within one year		4,619,886,000.00	7,384,940,000.00
Other current assets		1,240,000,000.00	760,000,000.00
Total current assets		**27,076,069,621.80**	**29,513,405,920.92**
Non-current assets			
Available-for-sale financial assets		1,654,097,618.16	1,377,049,228.16
Held-to-maturity investments			
Long-term receivables		23,728,121,787.14	18,106,244,500.00
Long-term equity investments	XII. 2	154,680,589,253.06	130,231,808,140.72
Investment properties			
Fixed assets		6,375,460.86	3,203,047.93
Construction in progress			
Productive biological assets			
Oil and gas assets			
Intangible assets		591,858.16	736,586.32
Development costs			
Goodwill			
Long-term deferred expenses		102,610.16	
Deferred tax assets			
Other non-current assets		3,817,550,892.60	1,297,550,892.60
Total non-current assets		**183,887,429,480.14**	**151,016,592,395.73**
Total assets		**210,963,499,101.94**	**180,529,998,316.65**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Balance Sheet of the Company (Continued)

As at December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	Closing balance	Opening balance
Current liabilities			
Short-term loans		8,440,425,000.00	6,313,093,849.78
Financial liabilities at fair value through profit or loss			
Deriative finance liabilities			
Notes&Accounts payable			
Advances from customers			
Employee benefits payable		41,025,395.90	26,056,236.81
Taxes payable		72,887,526.91	60,037,926.32
Other payables		4,745,160,875.26	3,337,089,967.55
Including: Interest payable		501,595,020.33	308,858,038.60
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		14,773,250,000.00	8,605,219,380.83
Other current liabilities			
Total current liabilities		**28,072,748,798.07**	**18,341,497,361.29**
Non-current liabilities			
Long-term loans		35,676,630,000.00	37,518,570,000.00
Bonds payable		20,964,995,347.31	12,960,514,694.72
Including: Preferred shares			
Perpetual bonds			
Long-term payables		5,196,044,500.00	5,166,024,500.00
Long-term employee benefits payable			
Provisions		310,502,844.87	567,815,238.71
Deferred income			
Deferred tax liabilities		34,704,939.60	66,323,492.10
Other non-current liabilities			
Total non-current liabilities		**62,182,877,631.78**	**56,279,247,925.53**
Total liabilities		**90,255,626,429.85**	**74,620,745,286.82**
Shareholders' equity			
Share capital		67,991,060,000.00	67,756,060,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		52,148,601,217.36	37,253,937,867.52
Less: Treasury shares			
Other comprehensive income		47,866,690.49	198,969,537.12
Special reserves			
Surplus reserves		321,297,490.73	300,985,211.62
Retained earnings		199,047,273.51	399,300,413.57
Total shareholders' equity		**120,707,872,672.09**	**105,909,253,029.83**
Total liabilities and shareholders' equity		**210,963,499,101.94**	**180,529,998,316.65**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Consolidated Income Statement

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2018	2017
I.Total operating income		**200,303,539,313.51**	**170,173,890,523.22**
Including: Operating income	VI. 44	200,200,141,317.01	170,101,180,609.80
Interest incomes		103,388,589.43	72,709,913.42
Earned premiums		-	-
Fees and commission income		9,407.07	-
II.Total operating costs		**203,702,467,246.51**	**171,219,926,102.07**
Including: Operating costs	VI. 44	172,615,308,115.88	147,019,060,138.90
Interest expenses		-	-
Fees and commission expenses		351,491.67	82,133.33
Payments to surrenders of insurance contracts		-	-
Net amount of insurance claims expenses		-	-
Net charges of provision for insurance contracts		77,965,420.66	40,276,532.42
Dividends policy expenses		-	-
Reinsurance expenses		-	-
Taxes and surcharges	VI. 45	965,135,901.26	804,823,071.86
Selling and distribution expenses		2,516,189,195.91	2,057,040,634.01
General and administrative expenses		7,762,713,013.39	6,465,160,722.99
Research and development expenses		417,622,698.63	84,947,444.55
Financial expenses	VI. 45	17,348,571,049.34	13,450,901,637.14
Including: Interest expenses		18,154,589,233.79	15,772,290,756.61
Interest income		1,583,070,508.73	2,135,451,530.65
Impairment losses	VI. 48	1,998,610,359.77	1,297,633,786.87
Add: Other income	VI. 51	865,865,482.70	437,140,109.83
Investment income ("-" for losses)	VI. 49	6,890,098,311.52	4,584,559,346.30
Including:Investment income from associates and joint ventures		1,842,127,237.81	2,101,506,451.44
Gains from changes in fair value("-" for losses)	VI. 47	-976,875,288.18	-46,209,215.32
Exchange gain ("-" for losses)		-	-
Gains from asset disposals ("-" for losses)	VI. 50	203,910,712.04	-1,916,051.65
III. Operating profit ("-" for losses)		**3,584,071,285.08**	**3,927,538,610.31**
Add: Non-operating income	VI. 52	1,770,654,108.79	398,306,695.19
Less: Non-operating expenses	VI. 53	870,160,014.02	264,677,495.76
IV.Total profit ("-" for losses)		**4,484,565,379.85**	**4,061,167,809.74**
Less: Income tax expenses	VI. 54	1,515,207,924.92	667,068,644.52
V. Net profit ("-" for net losses)		**2,969,357,454.93**	**3,394,099,165.22**
1. Classified by continuing operation			
(1) Net profit from continuing operations ("-" for losses)		2,985,585,093.90	3,394,099,165.22
(2) Net profit from discontinued operations ("-" for losses)		-16,227,638.97	-
2. Classified by ownership			
(1) Shareholders of the Company		-1,583,591,720.25	19,617,975.93
(2) Non-controlling interests		4,552,949,175.18	3,374,481,189.29
VI.Other comprehensive income, net of tax		-1,231,609,847.31	-1,625,367,562.96
(1) Items that will not be reclassified to profit or loss		-9,298,478.20	-
1. Remeasurement of defined benefit plan liability		-	-
2. Share of other comprehensive incomes that cannot be tranferred into profit and loss under equity method		-9,298,478.20	-
(2) Items that may be reclassified to profit or loss		-1,222,311,369.11	-1,625,367,562.96
1. Share of other comprehensive incomes under equity method		617,046,473.02	-7,001,135.95
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		-1,919,637,932.70	-1,484,416,159.44
3. Gains or losses arising from reclassifying held-to-maturity investments to available-for-sale financial assets		-999,190.46	-
4. Effective portion of gains or losses arising from cash flow hedging instruments		-	-
5. Translation differences arising from translation of foreign-currency financial statements		81,279,281.03	-133,950,267.57
6. Others		-	-
VII.Total comprehensive income		**1,737,747,607.62**	**1,760,783,834.65**
Total comprehensive income attributable to shareholders of the Company		-2,023,339,745.99	-1,214,467,081.95
Total comprehensive income attributable to non-controlling interests		3,761,087,353.61	2,975,250,916.60
VIII.Earnings per share			
(1) Basic earnings per share		-	-
(2) Diluted earnings per share		-	-

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Income Statement of the Company

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2018	2017
I.Operating income	XII. 3	**625,652,708.68**	**751,726,449.32**
Less: Operating cost			
Taxes and surcharges		17,220,657.43	14,384,202.27
Selling and distribution expenses			
General and administrative expenses		124,596,033.43	106,449,028.61
Research and development expenses			
Financial expenses		3,478,699,421.55	2,336,084,833.34
Including: Interest expenses		3,537,266,218.58	2,394,610,499.06
Interest income		58,893,712.24	60,778,337.62
Impairment losses		94,635,113.70	727,313,108.36
Add: Other income		3,547,526.70	
Investment income ("-" for losses)	XII. 4	3,369,512,251.97	2,858,064,899.48
Including: Investment income from associates and joint ventures		403,472,001.62	247,052,819.07
Gains from changes in fair value ("-" for losses)			
Gains from asset disposals ("-" for losses)		1,012,267.35	
II. Operating profit ("-" for losses)		**284,573,528.59**	**425,560,176.22**
Add: Non-operating income		119,423.91	10,000.00
Less: Non-operating expenses		81,570,161.42	86,004,658.16
III. Total profit ("-" for losses)		**203,122,791.08**	**339,565,518.06**
Less: Income tax expenses			
IV. Net profit ("-" for net losses)		**203,122,791.08**	**339,565,518.06**
(1) Net profit from continuing operations ("-" for losses)		203,122,791.08	339,565,518.06
(2) Net profit from discontinued operations ("-" for losses)			
V.Other comprehensive income, net of tax		**-151,102,846.63**	**197,933,871.59**
(1) Items that will not be reclassified to profit or loss			
1. Remeasurement of defined benefit plan liability			
2. Share of other comprehensive income under equity method			
(2) Items that may be reclassified to profit or loss		-151,102,846.63	197,933,871.59
1. Share of other comprehensive income under equity method		-56,247,189.13	-1,036,604.71
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		-94,855,657.50	198,970,476.30
3. Gains or losses arising from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gains or losses arising from cash flow hedging instruments			
5. Translation differences arising from translation of foreign currency financial statements			
6. Others			
VI.Total comprehensive income		**52,019,944.45**	**537,499,389.65**
VII.Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal Representative: 王兴兴

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥印

Consolidated Cash Flow Statement

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2018	2017
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		194,849,872,572.65	160,287,298,581.03
Net increase in deposits from customers and inter-banks deposits			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash receipts of premium of direct insurance contracts			
Net cash received from reinsurance contracts			
Net increase in deposits from insurance policy holders and investment			
Net increase from disposal of financial assets at fair value through profit or loss			
Cash receipts of interest, fees and commission		1,194,700,348.35	870,681,998.31
Net increase in borrowings from banks and other financial institutions			
Net increase in repurchase operations			
Cash received from tax refund		112,422,450.54	125,310,991.33
Cash received relating to other operating activities		41,275,028,365.75	35,583,967,403.78
Sub-total of cash inflows from operating activities		**237,432,023,737.29**	**196,867,258,974.45**
Cash paid for goods and services		165,391,732,805.90	140,361,215,685.13
Net increase in loans and disbursement to customers		166,920,621.81	1,400,289,731.86
Net increase in deposit with central bank and inter-banks			
Cash paid for claims of direct insurance contracts			
Cash paid for interest, fee and commission		564,108,738.60	561,123,679.24
Cash paid for dividends of insurance policies			
Cash paid to and on behalf of employees		11,577,991,808.41	9,002,701,732.37
Payments of taxes and surcharges		6,579,186,303.68	5,022,745,891.44
Cash paid relating to other operating activities		43,526,712,918.73	35,957,981,280.03
Sub-total of cash outflows from operating activities		**227,806,653,197.13**	**192,306,058,000.07**
Net cash flows from operating activities		**9,625,370,540.16**	**4,561,200,974.38**
II. Cash flows from investment activities			
Cash received from withdrawal of investments		142,062,250,116.07	99,235,097,571.36
Cash received from investments income		4,219,750,839.80	3,348,056,587.59
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		102,944,945.97	54,068,605.06
Net cash received from disposal of subsidiaries and other business units		872,112,003.00	
Cash received relating to other investing activities		3,644,586,583.78	7,797,436,304.40
Sub-total of cash inflows from investing activities		**150,901,644,488.62**	**110,434,659,068.41**
Cash paid to acquire fixed assets, intangible assets and other long-term assets		46,023,814,232.06	37,055,369,055.42
Cash paid for investments		166,818,563,147.21	133,457,009,355.84
Net increase in pledged lending			
Net cash paid to acquire subsidiaries and other business units		1,051,015,191.07	430,559,637.23
Cash paid relating to other investing activities		8,733,195,178.57	13,857,123,591.76
Sub-total of cash outflow from investing activities		**222,626,587,748.91**	**184,800,061,640.25**
Net cash flows from investing activities		**-71,724,943,260.29**	**-74,365,402,571.84**
III.Cash flows from financing activities			
Cash received from investments		16,142,016,825.88	18,981,618,073.53
Including: cash received by subsidiaries from investment of non-controlling interests		4,222,176,501.73	
Cash received from loans granted		183,508,522,586.77	157,285,094,615.01
Cash received from bonds issued		12,306,700,000.00	8,997,000,000.00
Cash received relating to other financing activities		19,547,439,068.77	31,288,970,450.71
Sub-total of cash inflows from financing activities		**231,504,678,481.42**	**216,552,683,139.25**
Cash paid for repayment of borrowings		115,196,999,296.92	92,523,821,434.27
Cash paid for dividends, profits or payments of interests		26,345,924,756.51	24,610,567,751.42
Cash paid relating to other financing activities		6,120,386,713.30	16,427,628,136.01
Sub-total of cash outflows from financing activities		**147,663,310,766.73**	**133,562,017,321.70**
Net cash flows from financing activities		**83,841,367,714.69**	**82,990,665,817.55**
IV. Effects of changes in exchange rate on cash and cash equivalents		176,490,979.03	-68,902,600.46
V. Net increase in cash and cash equivalents		**21,918,285,973.59**	**13,117,561,619.63**
Add: opening balance of cash and cash equivalents		93,238,432,103.49	80,120,870,483.86
VI. Closing balance of cash and cash equivalents		**115,156,718,077.08**	**93,238,432,103.49**

Legal Representative: Chief Financial Officer: Head of Accounting Department:

Cash Flow Statement of the Company
For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	Note	2018	2017
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services			
Cash received from tax refund			
Cash received relating to other operating activities		656,405,325.37	674,522,033.48
Sub-total of cash inflows from operating activities		**656,405,325.37**	**674,522,033.48**
Cash paid for goods and services			
Cash paid to and on behalf of employees		67,551,530.34	48,436,610.36
Payments of taxes and surcharges		124,041,140.95	84,084,048.77
Cash paid relating to other operating activities		396,542,044.26	430,689,117.67
Sub-total of cash outflows from operating activities		**588,134,715.55**	**563,209,776.80**
Net cash flows from operating activities		**68,270,609.82**	**111,312,256.68**
II. Cash flows from investment activities			
Cash received from withdrawal of investments		74,735,911,437.40	64,668,069,107.43
Cash received from investments income		2,339,305,159.66	2,564,609,543.89
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		243,600.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			114,291,700.00
Sub-total of cash inflows from investing activities		**77,075,460,197.06**	**67,346,970,351.32**
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,755,137.78	2,293,441.79
Cash paid for investments		103,749,521,080.10	83,699,705,674.98
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities		43,304,100.00	189,291,700.00
Sub-total of cash outflow from investing activities		**103,795,580,317.88**	**83,891,290,816.77**
Net cash flows from investing activities		**-26,720,120,120.82**	**-16,544,320,465.45**
III. Cash flows from financing activities			
Cash received from investments		10,262,467,100.00	6,549,500,000.00
Cash received from loans granted		21,823,675,000.00	25,865,093,849.78
Cash received from bonds issued		8,000,000,000.00	6,997,000,000.00
Cash received relating to other financing activities		3,627,317,814.77	1,858,602,576.26
Sub-total of cash inflows from financing activities		**43,713,459,914.77**	**41,270,196,426.04**
Cash paid for repayment of borrowings		15,372,533,849.78	19,403,190,000.00
Cash paid for dividends, profits or payments of interests		3,744,572,126.14	3,547,884,833.98
Cash paid relating to other financing activities		35,000,000.00	189,775,500.00
Sub-total of cash outflows from financing activities		**19,152,105,975.92**	**23,140,850,333.98**
Net cash flows from financing activities		**24,561,353,938.85**	**18,129,346,092.06**
IV. Effects of changes in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		**-2,090,495,572.15**	**1,696,337,883.29**
Add: opening balance of cash and cash equivalents		10,223,956,137.16	8,527,618,253.87
VI. Closing balance of cash and cash equivalents		**8,133,460,565.01**	**10,223,956,137.16**

Legal Representative: 王华光

Chief Financial Officer: 曹建琴

Head of Accounting Department: 宋贵祥印

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	2018												
	Equity attributable to shareholders of the Company											Non-controlling interetsts	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings		
		Preferred equtity	Perpetual bonds	Others									
I. Balance at the end of last year	**67,756,060,000.00**				**87,308,284,402.26**		**1,314,377,201.69**	**94,161,439.89**	**758,955,766.57**	**20,377,351.10**	**6,544,494,529.86**	**99,439,493,356.39**	**263,236,204,047.76**
Add: Changes in accounting policies													
Correction of prior-period errors													
Business consolidation under common control													
Others											-2,164,573,405.67	42,981,233.61	-2,121,592,172.06
II. Balance at the beginning of this year	**67,756,060,000.00**				**87,308,284,402.26**		**1,314,377,201.69**	**94,161,439.89**	**758,955,766.57**	**20,377,351.10**	**4,379,921,124.19**	**99,482,474,590.00**	**261,114,611,875.70**
III. Changes during this year ("-" for decreases)	**235,000,000.00**				**15,122,367,780.96**		**-439,748,025.74**	**-55,294,299.09**	**20,312,279.11**	**65,589,605.59**	**-2,040,316,604.95**	**19,485,082,135.71**	**32,392,992,871.59**
(1) Total comprehensive income							-439,748,025.74				-1,583,591,720.25	3,761,087,353.61	1,737,747,607.62
(2) Capital contribution and reduction from shareholder	235,000,000.00				15,122,367,780.96						-	18,778,107,756.83	34,135,475,537.79
1. Common stock capital contribution from sharehol	235,000,000.00				10,027,467,100.00							3,338,780,369.71	13,601,247,469.71
2. Capital contribution from holders of other equity instruments												12,842,054,759.43	12,842,054,759.43
3. Equity increase from share-based payments													
4. Others					5,094,900,680.96							2,597,272,627.69	7,692,173,308.65
(3) Profit appropriations									20,312,279.11	65,589,605.59	-456,724,884.70	-2,966,182,267.38	-3,337,005,267.38
1. Appropriation to surplus reserves									20,312,279.11		-20,312,279.11		
2. Appropriation to general risks provision										65,589,605.59	-65,589,605.59		
3. Appropriation to shareholders											-370,823,000.00	-1,101,772,152.82	-1,472,595,152.82
4. Others												-1,864,410,114.56	-1,864,410,114.56
(4) Transfers within shareholders' equity											-		
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(5) Special reserves								-55,294,299.09			-	-87,930,707.35	-143,225,006.44
1. Provision for special reserves								396,170,859.71				351,729,015.37	747,899,875.08
2. Utilisation of special reserves								451,465,158.80				439,659,722.72	891,124,881.52
(6) Others													
IV. Balance at the end of this year	**67,991,060,000.00**				**102,430,652,183.22**		**874,629,175.95**	**38,867,140.80**	**779,268,045.68**	**85,966,956.69**	**2,339,604,519.24**	**118,967,556,725.71**	**293,507,604,747.29**

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	2017												
	Equity attributable to shareholders of the Company											Non-controlling interetsts	Total equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained earnings		
		Preferred equtity	Perpetual bonds	Others									
I. Balance at the end of last year	**65,803,560,000.00**				**51,715,979,825.08**		**2,548,462,259.57**	**72,432,797.87**	**724,999,214.76**	**13,731,457.51**	**7,622,969,475.85**	**75,024,983,981.90**	**203,527,119,012.54**
Add: Changes in accounting policies													
Correction of prior-period errors													
Business consolidation under common control													
Others													
II. Balance at the beginning of this year	**65,803,560,000.00**				**51,715,979,825.08**		**2,548,462,259.57**	**72,432,797.87**	**724,999,214.76**	**13,731,457.51**	**7,622,969,475.85**	**75,024,983,981.90**	**203,527,119,012.54**
III. Changes during this year ("-" for decreases)	**1,952,500,000.00**				**35,592,304,577.18**		**-1,234,085,057.88**	**21,728,642.02**	**33,956,551.81**	**6,645,893.59**	**-1,078,474,945.99**	**24,414,509,374.49**	**59,709,085,035.22**
(1) Total comprehensive income							-1,234,085,057.88				19,617,975.93	2,975,250,916.60	1,760,783,834.65
(2) Capital contribution and reduction from shareholders	1,952,500,000.00				35,592,304,577.18							23,658,257,433.10	61,203,062,010.28
1. Common stock capital contribution from sharehold	1,952,500,000.00				4,547,500,000.00							6,571,195,006.85	13,071,195,006.85
2. Capital contribution from holders of other equity instruments												13,715,354,250.00	13,715,354,250.00
3. Equity increase from share-based payments													
4. Others					31,044,804,577.18							3,371,708,176.25	34,416,512,753.43
(3) Profit appropriations									33,956,551.81	6,645,893.59	-1,098,092,921.92	-2,249,392,708.46	-3,306,883,184.98
1. Appropriation to surplus reserves									33,956,551.81		-33,956,551.81		
2. Appropriation to general risks provision										6,645,893.59	-6,645,893.59		
3. Appropriation to shareholders											-1,055,388,400.00	-816,217,081.70	-1,871,605,481.70
4. Others											-2,102,076.52	-1,433,175,626.76	-1,435,277,703.28
(4) Transfers within shareholders' equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(5) Special reserves								21,728,642.02				30,393,733.25	52,122,375.27
1. Provision for special reserves								250,997,418.16				254,448,171.75	505,445,589.91
2. Utilisation of special reserves								229,268,776.14				224,054,438.50	453,323,214.64
(6) Others													
IV. Balance at the end of this year	**67,756,060,000.00**				**87,308,284,402.26**		**1,314,377,201.69**	**94,161,439.89**	**758,955,766.57**	**20,377,351.10**	**6,544,494,529.86**	**99,439,493,356.39**	**263,236,204,047.76**

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

Statement of Changes in Equity of the Company

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equity	Perpetual bonds	Others							
I. Balance at the end of last year	**67,756,060,000.00**				**37,253,937,867.52**		**198,969,537.12**		**300,985,211.62**	**399,300,413.57**	**105,909,253,029.83**
Add: Changes in accounting policies											
Correction of prior-period errors											
Others										-12,240,652.03	-12,240,652.03
II. Balance at the beginning of this year	**67,756,060,000.00**				**37,253,937,867.52**		**198,969,537.12**		**300,985,211.62**	**387,059,761.54**	**105,897,012,377.80**
III. Changes during this year ("-" for decreases)	**235,000,000.00**				**14,894,663,349.84**		**-151,102,846.63**		**20,312,279.11**	**-188,012,488.03**	**14,810,860,294.29**
(1) Total comprehensive income							-151,102,846.63			203,122,791.08	52,019,944.45
(2) Capital contribution and reduction from shareholder	235,000,000.00				14,894,663,349.84						15,129,663,349.84
1. Common stock capital contribution from sharehol	235,000,000.00				10,027,467,100.00						10,262,467,100.00
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
4. Others					4,867,196,249.84						4,867,196,249.84
(3) Profit appropriations									20,312,279.11	-391,135,279.11	-370,823,000.00
1. Appropriation to surplus reserves									20,312,279.11	-20,312,279.11	
3. Appropriation to shareholders										-370,823,000.00	-370,823,000.00
4. Others											
(4) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(5) Special reserves											
1. Provision for special reserves											
2. Utilisation of special reserves											
(6) Others											
IV. Balance at the end of this year	**67,991,060,000.00**				**52,148,601,217.36**		**47,866,690.49**		**321,297,490.73**	**199,047,273.51**	**120,707,872,672.09**

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

Statement of Changes in Equity of the Company (Continued)

For the year ended December 31, 2018

Prepared by: Sichuan Development Holding Co., Ltd

Unit: RMB Yuan

Item	2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained earnings	Total equity
		Preferred equity	Perpetual bonds	Others							
I. Balance at the end of last year	65,803,560,000.00				29,059,369,704.63		1,035,665.53		267,028,659.81	1,149,079,847.32	96,280,073,877.29
Add: Changes in accounting policies											
Correction of prior-period errors											
Others											
II. Balance at the beginning of this year	65,803,560,000.00				29,059,369,704.63		1,035,665.53		267,028,659.81	1,149,079,847.32	96,280,073,877.29
III. Changes during this year ("-" for decreases)	1,952,500,000.00				8,194,568,162.89		197,933,871.59		33,956,551.81	-749,779,433.75	9,629,179,152.54
(1) Total comprehensive income							197,933,871.59			339,565,518.06	537,499,389.65
(2) Capital contribution and reduction from shareholders	1,952,500,000.00				8,194,568,162.89						10,147,068,162.89
1. Common stock capital contribution from shareholde	1,952,500,000.00				4,762,273,300.00						6,714,773,300.00
2. Capital contribution from holders of other equity instruments											
3. Equity increase from share-based payments											
4. Others					3,432,294,862.89						3,432,294,862.89
(3) Profit appropriations									33,956,551.81	-1,089,344,951.81	-1,055,388,400.00
1. Appropriation to surplus reserves									33,956,551.81	-33,956,551.81	
2. Appropriation to shareholders										-1,055,388,400.00	-1,055,388,400.00
3. Others											
(4) Transfers within shareholders' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(5) Special reserves											
1. Provision for special reserves											
2. Utilisation of special reserves											
(6) Others											
IV. Balance at the end of this year	**67,756,060,000.00**				**37,253,937,867.52**		**198,969,537.12**		**300,985,211.62**	**399,300,413.57**	**105,909,253,029.83**

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:

I. GENERAL INFORMATION

1. Registered address, organization form and headquarter address

Sichuan Development Holding Co., Ltd (hereinafter referred to as the ‘‘Company’’ or as the ‘‘Group’’ while including its subsidiaries) is a wholly stated-owned company which was incorporated in accordance with the Notice of Sichuan Provincial People’s Government Concerning the Incorporation of Sichuan Development Holding Co., Ltd (Chuan Fu Han [2008] No. 330). The Company obtained unified social credit code (NO. 915100006823936567) issued by Sichuan Provincial Administration for Industry and Commerce on November 29, 2017.The Company’s investor is Sichuan Provincial People’s Government and is represented by the State-Owned Assets Supervision and Administration Commission of Sichuan Province(hereinafter referred to as SASAC of Sichuan Province) in performing duties of the investor. The Company’s registered capital is RMB 80 billion, and the initial contribution is RMB 40 billion. According to the Chuan Fu Han [2008] No. 330 document, the initial contribution of RMB 40 billion consisted of net assets corresponding to the equities of such 21 entities as Sichuan Changjiang Group Corp, Chengdu Branch of China National Nonferrous Metal Industry Group, Sichuan Non-Ferrous Metallurgy Research Co., Ltd., Sichuan Foreign Trade Group Co., Ltd., Sichuan State-Owned Assets Investment Administrator Co., Ltd., Sichuan Railway Group Company Limited., Sichuan Road & Bridge Group Co., Ltd., Sichuan Hydropower Investment & Management Group Ltd., Sichuan Jinjiang Hotel, Sichuan Ethical Economy Development Corporation, Sichuan Airlines Group Co.,Ltd, Sichuan China International Travel Service, Sichuan Medicine Group Co., Ltd., Sichuan Xinhua Publishing Group Co., Ltd., Sichuan Salt Company, Sichuan Chengdu Integrated Timber Plant, Sichuan Publishing Group Co.,Ltd, Sichuan Port and Channel Development Co., Ltd., Sichuan Expressway Construction Development Corporation, Sichuan Jinhong Group Co., Ltd. and Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd. transferred by the ministries and commissions of Sichuan Province and the monetary fund of RMB 450 million allocated by the Department of Finance of Sichuan Province. The initial contribution of the Company was verified by Sichuan Huaheng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2009) No. 2 capital verification report.

In 2009, the capital contribution of the second installment of the Company was paid, with the paid-up capital increased by RMB 4,108,900,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 03 capital verification report..

In 2010, the capital contribution of third installment of the Company was paid, with the paid-up capital increased by RMB 2,135,100,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2010) No. 10 capital verification report.

In 2012, the capital contribution of fourth installment of the Company was paid, with the paid-up capital increased by RMB 202,200,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2012) No. 24 capital verification report.

In 2013, the capital contribution of fifth installment of the Company was paid, with the paid-up capital increased by RMB 5,501,190,000. Such capital contribution was verified by Sichuan HuaHeng Accountant Business Office Co., Ltd. via Chuan Hua Heng Yan Zi (2014) No. 06 capital verification report.

In 2013, according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd (Chuan Cai Jian [2013] No. 365), the company is appropriated RMB 500,000,000 of capital by Department of Finance of Sichuan Province. According to the 2012 Notice Concerning the Conveyance of operating budget of state own equity at province level (Chuan Cai Qi [2012] No. 18), the company is appropriated operating budgeted financial injection of RMB 117,070,000 for state own equity by Department of Finance of Sichuan Province.

In 2014, according to Notice Concerning the Conveyance of 2014 operating expenditure budget of state own equity (Chuan Guo Zi Budget [2014], No. 6), the Company is appropriated RMB 58,100,000 by Department of Finance of Sichuan Province.

In 2015, according to the Notice of Capital Contribution of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2015] No.2), issued by Department of Finance of Sichuan, the Company received the project funds of RMB 1,000,000,000.00 from Department of Finance of Sichuan. According to the Notice of Capital Contribution of Provincial Railway Investment Group (Chuan Cai Qi [2015] No.99), the Company received project funds of RMB 2,230,000,000.00 from Department of Finance of Sichuan. Pursuant to the requirement that the capital shall be paid in full in (2017) No 7 and (2012) No 38 Special Minutes of meetings, the capital transferred from special payables totaling RMB 2,951.00 million.

In 2016, according to the Notice of Registered Capital of Sichuan Urban and Rural Construction Investment Limited (Chuan Cai Qi [2016] No.42) issued by Sichuan Finance Department, the Company received the capital fund which was appropriated by Sichuan Finance Department. The Company received project capital fund of RMB 1,000,000,000.00 from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2016 (Chuan Cai Tou [2016] No.17) and (Chuan Cai Tou [2016] No.127). According to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2016 (Chuan Cai Jian(2016) No.33), the Company received capital fund RMB of 400,000,000.00 from Sichuan Finance Department. According to the Notice of Capital of Sichuan Development Holding Co., Ltd, the Company received capital RMB 4,600,000,000.00.

In 2017, according to the Notice of the 1st Provincial Finance Transportation and Construction Project Fund Budget of 2017 (Chuan Cai Jian(2017) No.22) the Company received capital fund RMB 500,000,000.00 from Sichuan Finance Department. The Company received project capital fund RMB 1,000,000,000.00

from Sichuan Finance Department according the Notice of the Basic Construction Expenditure Budget within the Province's Budget of 2017 (Chuan Cai Tou [2017] No.37). According to the Notice of Sichuan Finance Department on Appropriating Supplemental Capital to Provincial SOE (Chuan Cai Qi [2017] No.61), the Company received capital fund RMB 502,000,000.00. According to the Notice of Sichuan Finance Department on Recovering Part of Industrial Development Supporting capital (Chuan CaiJian [2017] No.164), the Company refund part of the special fund of RMB 49,500,000.00. The fund has been verified by capital verification report in 2013, therefore, the paid-up capital has been written down of RMB 49,500,000.00.

Pursuant to the Notice of Appropriating Supplementary Capital to Provincial Stated-owned Enterprises issued by Sichuan MOF in 2018 (Chuancaiqi [2018] No 75), the Company received RMB 235 million enterprise capital appropriating from Sichuan MOF.

As of December 31, 2018, the Company's paid-up capital was RMB67, 991, 060, 000. 00.

The Company's registered address: No. 12, Jiuxing Avenue, Gaoxin District, Chengdu; its legal representative: Wang Fengchao; the Company has established board of directors, board of supervisors and other administration committee.

2. Operation nature and main operation activities of the Company

The scope of business of the Company: investment, financing and assets operation and management. Priorities of investment: transportation, energy, water, travel, agriculture, development of advantageous resources, environmental protection and other areas authorized by the provincial government. (The above projects do not include pre-licensing program, post licensing program relied on license or approval documents).

3. Parent company and the headquarter of the Group

The Company's controlling shareholder is SASAC of Sichuan Province; the Group's ultimate controller is SASAC of Sichuan Province. The Company established board of directors, board of supervisors, and other administration committees. There are three special committees under the board, the remuneration and appraisal committee, the strategy and project advisory committee and the risk control committee. The Company has such functional departments as the Party and mass department, disciplinary inspection and supervision department, integrated management department, board of directors office, Party Committee organization department, financial department, the human resources department, the risk control department, compliance department, enterprise management department, the financing management department, the asset management department, the fund operating department, the investment promoting department, investment management department, and capital operation department.

The Group’s main operating activities are: operation and construction of transportation facilities, trade, media and culture, generate and supply of electricity and others.

4. Financial Report approval

The Group’s Financial Reports are approved by Company's board of directors on April 29, 2019.

II. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

1. Acting as a platform of investment and financing of Sichuan People’s Government, the Company owns 100% equities of 21 state owned entities (after consolidated and transferred by SASAC of Sichuan Province, the number has reduced to 12 owned entities as of December 31, 2018). In accordance with the provisions of Chuan Fu Han [2008] No. 330 document and the Interim Measures of Sichuan Province for the Administration of Provincial-level Industry Investment Companies (Chuan Ban Fa [2008] No. 53),and Reply of Reorganizing Sichuan Development Holding Co., Ltd to State-owned Capital Operating Company by Government of Sichuan Province (Chuan Fu Han [2014] No.110),the Company manages the foregoing 21 entities and newly-established professional industry investment companies. To sufficiently reflect the financial positions, operating results and cash flow positions of the Group as the platform of investment and financing, and to prevent any users of the consolidated financial statements from making inappropriate judgment on its overall financial conditions and profitability, the Group has included all of the foregoing entities in to the consolidation scope.

2. As mentioned in Note XIII-Other Significant Events (1), the roads of which its loans are repaid by the government (hereinafter referred to as government-loan road) built by Sichuan Expressway Construction and Development Corporation (hereinafter refers to as Sichuan Expressway Company), a subsidiary company of Sichuan Communications Investment Group Co., Ltd (hereinafter refers to as Sichuan Communications), were came into use from 2012. In 2013, in accordance with the spirit of the Toll Highway Administration Regulation and considering the management characteristics of the government-loan road, and with reference to the government-loan management mode of similar companies in other provinces, Sichuan Expressway Company’s board of directors made a decision and filed the decision with SASAC of Sichuan Province that government-loan road for operating use shall not accumulate any depreciation. And the toll revenue shall be classified as operating revenue. These assets (including construction in progress valued at 6.226 billion) have a value of 127.243 billion as at the year ended December 31, 2018. The Financial Reports of Sichuan Expressway Company from 2014 to 2018 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants (appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. Sichuan Expressway Company is one of the 21 subsidiaries mentioned above, and was merged into Sichuan Communications, and became a subsidiary of Sichuan Communications. The consolidated report of the Group is prepared based on the audited Financial Report of Sichuan Communications and no adjustments were made.

3. As mentioned in Note XIII-Other Significant Events (2), when Sichuan Railway Investment Group Co., Ltd (hereinafter refers to as Railway Investment Group) prepared the Financial Report of 2015, Railway Investment Group recognized escrowed assets of RMB 29.172 billion and classified as Other Non-current Assets on the financial statements. These escrowed assets include: constructions in process of Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway, long-term equity investments of Chenglan Railway, Chengyu Special Railway, Chengmianle Railway, financial assets available-for-sale of Chengkun Railway, Chenggui Railway, Xicheng Special Railway, Bada Railway, Chengya Railway and Lanyu Railway. As at December 31, 2018, the value of escrowed assets has increased to RMB 49.901 billion. BDO China Shu Lun Pan CPAs (appointed by State-Owned Assets Supervision and Administration Commission of Sichuan Province) Zhong Hui, and Da Hua CPAs audited Railway Investment Group's Financial Reports of 2015-2018 and issued unqualified Financial Reports respectively. Railway Investment Group is one of the 21 entities mentioned above. The consolidated report of the Group is prepared based on the audited Financial Report of Railway Investment Group and no adjustments were made.

4. The Consolidated Financial Statements of the Group are prepared on the basis of continuous operation. The Group prepared the Consolidated Financial Statements based on the audited financial statements of its subsidiary companies, and the auditors are engaged by SASAC of Sichuan Province. If there are matters in relation to qualified auditor's opinion and correction of previous years accounting errors, the Group will evaluate the impact of those matters and make adjustments to the matters which would significantly influence the Groups' financials except the matters mentioned in the above II.(1),II.(2) and II(3).

Based on the principals mentioned above, the Group prepares the Financial Statements in accordance with Note III ''Principal accounting policies and accounting estimates'' and Note III (5)2 "Consolidated Financial Statement Preparation Standard, Procedure and Methodology".

III. CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Financial period

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

2. Functional currency

The Functional currency of the Group is RMB.

3. Basis of preparation and principle of measurement

The Group's financial statements have been prepared on an accrual basis. Except for financial assets held for trading and available-for-sale financial assets which are measured at fair value, the financial statements are prepared under the historical cost.

4. Consolidation

As the consolidated party, the Group, on the consolidated date, accounts assets and liabilities from business combination under the same control as booked value on the consolidated financial statement. The difference between net assets acquired and the consideration is adjusted as capital reserve. Any addition exceed capital reserve is adjusted in retained earnings.

For a business combination for entities not under common control, acquired assets, liabilities and potential liabilities are accounted using fair value on acquisition date. Consolidated costs are the sum of cash consideration, non-cash asset, issued or guaranteed liabilities, issued equity, and any directly related expenditure for consolidation (for consolidation with multiple transactions by step, the consolidated costs are the sum of costs of all single transactions). When consolidated costs are higher than the acquired net assets, the difference is considered as Goodwill. When consolidated costs are lower than the acquired net assets, fair values of all acquired assets, liabilities and potential liabilities, and fair values of any non-cash assets or issued equity are double checked. After checked, if the consolidated costs are still lower than the acquired net asset, the difference is accounted as non-operating income.

5. Preparation of consolidated financial statements

(1) Scope of consolidation

The Group includes all controlling subsidiaries and structural entities into the scope of consolidated financial statements.

(2) Consolidated financial statements preparation standard, procedure and methodology

All-important internal transactions, internal balances, and unrealized gain are net off when preparing consolidated financial statements. Equity not belongs to parent company and net gain/loss for current period, minority interest of other comprehensive income and comprehensive income of subsidiaries are shown as "minority interest, minority interest, and other comprehensive income and comprehensive income belongs to minority owners" in consolidated financial statement.

For subsidiaries under common control, the operating results and cash flow are captured in consolidated statements from acquisition date. When preparing consolidated statements comparison, related items in prior year financial statement are adjusted as treating the consolidation existed since controlled by the ultimate controller.

When obtains invested party’s shares under common control through multiple transactions and finally form consolidation, the control party is treated as current existed status from the date of control to adjust consolidated financial statements. When preparing statements comparison, restricted by the time the Group and consolidated party are under control of final control party, all related assets, liabilities are accounted in consolidated financial statement comparisons. And the additional net assets from consolidation are adjusted

through related items under shareholders' equity. To avoid double accounted of net assets by consolidated party, any long term equity investment by the Group before consolidation, and a any confirmed related profit/loss between date of obtaining original shares and consolidated date, and other comprehensive income and other net asset movement should be reduced in brought forward retained earnings and profit and loss in current period in the comparison statements.

When consolidates and obtains subsidiaries not under common control, the Group includes the operating results and cash flow in consolidated statements from the date of obtaining control. All recognizable assets, liabilities or potential liabilities are adjusted to fair values based on subsidiaries' financial statement on the acquisition date when preparing consolidated financial statements.

When obtain invested party's share not under common control through multiple transactions and finally form consolidation, shares acquired before acquisition date are revalued by the fair value as on the acquisition date. Difference between fair value and book value is accounted in investment profit/loss in that period. Any related other comprehensive income and net profit and loss, any changes of shareholders' interest for acquired shares before acquisition date are all transferred as investment profit/loss in the acquisition period, except for other comprehensive income from revaluation of movement of net assets or net liabilities for benefit plan.

When the Group disposes part of the subsidiaries' share without losing control, the difference between disposed price and disposed long term equity investment related net assets from consolidated date is adjusted in capital premium or stock premium. When there is not enough capital reserve to reduce, retained earnings are adjusted.

When the Group disposes part of the subsidiaries' shares and losses control of invested party, when preparing consolidated financial statements, the remaining shares are revalued as the fair value at the date of losing control. The sum of disposed share prices and the fair value of remaining shares minus the proportion of net assets that acquired from consolidated date are accounted as investment profit/loss for period of losing control. In the same period, goodwill is reduced. On the period that loss control, all related other comprehensive income are transferred as investment profit/loss for that period.

When the Group disposes subsidiaries' shares till losing control through multiple transactions, and disposal transactions belong to package transaction, all transactions are treated and accounted for a package deal. However, before the Group losses control, difference between each disposal price and the corresponding share of net asset should be recognized as other comprehensive income in consolidated financial statement, and then the difference should be.

6. Joint arrangements classification and Joint Operations accounting methodology

The Group's joint arrangements include joint operations and joint ventures. For joint operations, the Group, as a party of joint operation, recognized its share of assets and liabilities independently, recognized the assets

and liabilities according to the shares, and recognized the revenue and expenses according to the relative arrangements or the shares. For acquisition and sale that not as part of operating asset transactions with joint operation, only gain/loss belongs to other party of joint operation should be recognized.

7. Standards for recognition of cash and cash equivalents

Cash on the cash flow of the Group refers to the cash and deposits which are available for payment at any time; the cash equivalents on the cash flow refers to the highly liquid investment that matured within 3 months, can be readily convertible to known amount of cash, and which are subject to an insignificant risk of change in value.

8. Foreign currency and translation of foreign currency statement

(1) Foreign currency transactions

Foreign currency transactions of the Group are translated into RMB at the spot exchange rate of the date of transaction. On balance sheet date, foreign currency monetary items are translated into RMB at the spot exchange rate of that date. Exchange differences arising thereon are directly expensed in the profit and loss for the current period unless they arise from foreign currency borrowings for the purchase or construction of qualifying assets which are eligible for capitalization. Non-monetary items carried at fair value that are denominated in foreign currencies are translated into RMB at the rates prevailing on the date when the fair value was determined. Translation differences arising thereon are directly expensed as the change in fair value in the profit and loss for the current period. Nonmonetary items denominated in foreign currency measured at historical cost shall continue to be translated at the spot exchange rate at the date of transaction, and the translated amount in RMB should not be changed.

(2) Translation of foreign currency financial statements

Items of assets and liabilities in foreign currency balance sheets are translated at the spot exchange rate of the balance sheet date; items of owners' equity, except for ''retained profits'', are translated at the spot exchange rate of the date of transaction; Items of revenues and expenses in profit statements are translated at the spot exchange rate of the date of transaction. Translation differences of foreign currency statements arising from the foregoing translations are separately presented under other comprehensive income in the owners' equity. Foreign currency cash flows are translated at the spot exchange rate of the date of cash flow. Amounts of cash affected by fluctuations in exchange rates are separately presented in the statements of cash flow.

9. Customers' funds for transaction settlement

Customers' funds for transaction settlement received by the Group are placed in the special account with the depository bank and subject to separate management from equity funds. Amounts from clearing and settlement of funds for securities transactions of proxy customers are placed in the clearing agency

designated for the transactions and subject to accounting in the provision for settlement. The Company recognizes the amount for trading in securities by proxy customers as assets and liabilities when such amount was received. Brokerage, securities management fee, securities settlement risk fund and other relevant charges paid in accordance with regulations are recognized as commission expenses when clearing is carried out with the clearing agency in respect of amount for trading in securities by proxy customers of the Company. Commissions collected from customers according to regulations are recognized as commission revenue when clearing of amount for trading in securities is carried out with customers.

10. Financial assets and financial liabilities

(1) Financial assets

The Group recognizes its financial assets or financial liabilities when the Group becomes one party of a financial instrument contract.

① Classification and measurement of financial assets

Financial assets of the Group are classified as financial assets at fair value through profit or loss for the current period, held-to-maturity investments, loans and receivables, and available-for-sale financial assets according to the purposes of investments and the economic substance of the assets.

Financial assets accounted using fair value, whose movement is accounted in profit and loss accounts include trading financial assets and financial assets which determined using fair value from recognized, whose movement is accounted in profit and loss account. The Group classifies financial assets as trading financial assets according to one of the following criteria: purpose for obtaining this financial asset is for short term sale; financial asset belongs to part of the recognizable financial vehicle combination which is centrally managed while there is objective evidence showing the company is to manage the combination using short term beneficial method; financial assets belong to derivative vehicle except for effective hedging instrument derivative vehicle, financial guarantee contract derivative vehicle, and derivative vehicles that related to equity vehicle investment without quoted price on active market or without reliable fair value. The Group only uses fair value to account when financial assets were first recognized and account movement into profit and loss account when one of the following criteria is met: the criteria can eliminate or reduce the situation when recognizing or measuring the financial instruments are different due to the related income or loss resulting from difference measurement basis; the official written documents of company's risk management or investment strategy have stated that the financial instrument combination is managed and measured at fair value, and is reported to key management personnel; for the hybrid instruments with one or more imbedded derivatives, unless the imbedded derivatives do not have significant influence on the cash flows of the hybrid instrument, or the imbedded derivatives obviously should not be separated from the hybrid instrument; including hybrid instrument with imbedded derivatives which are needed to be separated, but cannot be measured separately on the acquisition date or subsequent balance sheet dates.

Held to maturity investment are non-derivative financial asset with fixed maturity and fixed or determinable recovery amounts that management intends and is able to hold to maturity. Held to maturity investments are accounted using actual interest rates, and accounted based on the remaining amortized costs. The amortization, impairment, and any profit/loss from termination are accounted in profit and loss account in current period.

Receivable means non-derivative financial assets with fixed or confirmable receivable amount that have no quoted prices in active market. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized balance, impairment, and profit/loss from termination are accounted in profit and loss in current period.

Financial assets held for sale means non-derivative financial assets and financial assets that have not classified as other class that refer as held for sale when first recognized. For these assets, when there is no quoted price in active market and the fair value cannot be reliably measured, historical costs method is used for subsequent account. For other assets with quoted price in active market or have reliable measured fair value, fair value method is used for accounting. The movement of fair value is accounted in other comprehensive income. Other than impairment losses and the gain or loss on exchange arising from foreign currency monetary financial assets, changes in fair value of available-for-sale financial assets are directly recorded in shareholders' equity. When such financial assets are derecognized, the accumulated amounts of changes in fair value originally recorded in equity are recorded in the profit or loss for the current period. Interests calculated on available-for-sale debt instruments using the effective interest method for the period in which the instruments are held and cash dividends which have been declared by the invested entity in relation to available-for-sale equity instruments are recognized in the profit or loss for the current period as investment income. For those investment without active markets and the fair value is impossible to be measured, historical cost is used as accounted value.

②Recognition and measurement of financial assets

A financial asset meeting any one of the following conditions is derecognized: (1) the contractual right to receive the cash flow of such financial asset terminates; (2) such financial asset has been transferred and the Group has transferred almost all risks and rewards on the ownership of such financial asset to the transferee; (3) such financial asset has been transferred and the Group waived the control over such financial asset though it did not transfer or reserve almost all risks and remunerations on the ownership of such financial asset.

If the entity does not transfer or reserve almost all risks and remunerations on the ownership of a financial asset nor waive the control over such financial asset, relevant financial asset is recognized according to the degree of its continuous involvement in the financial asset transferred and relevant liabilities are recognized accordingly.

If the overall transfer of a financial asset meets the conditions for derecognition, the difference between the carrying value of the financial asset transferred and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income is recorded in the profit or loss for the current period.

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying value of the financial asset transferred is amortized at respective relative fair value between the part derecognized and the part not derecognized, and the difference between the foregoing carrying amount amortized and the sum of consideration received from such transfer and accumulated amount of changes in fair value previously recorded in other comprehensive income which should be amortized to the part derecognized is recorded in the profit or loss for the current period.

③Impairment of financial assets

Other than financial assets at fair value through profit or loss for the current period, the Group assesses the carrying amount of financial assets at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.

④When there is a significant or prolonged decline in fair value of available-for-sale financial assets, accumulated loss in fair value that previously recorded in shareholder's equity due to the decline in fair value should be recorded as impairment loss. In respect of available-for-sale debt instruments for which impairment loss has been recognized, if the fair value rises after the end of the period and such rise is objectively related to the matters occurring after the recognition of original impairment loss, impairment loss previously recognized should be written back and recorded in the profit or loss for the current period. Rise in fair value of available-for-sale equity instruments for which impairment loss has been recognized after the end of the period is directly recorded in shareholders' equity.

(2) Financial liabilities

① Classification and measurement of financial liabilities

Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss for the current period and other financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss for the current period include financial liabilities held for trading and those designated at fair value through profit or loss for the current period on initial recognition. They are subsequently measured at fair value. The gain or loss on changes in fair value, and dividends and interest expense in relation to such financial liabilities are charged to the profit or loss for the current period as incurred.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. If there is an active market for a financial instrument, its fair value is determined using the market price in

such active market. In the active market, financial assets already held or financial liabilities to be assumed by the Group take the current bid price as the fair value of corresponding assets or liabilities; financial assets to be purchased or financial liabilities already assumed by the Group take the current offering price as the fair value of corresponding assets or liabilities. If a financial asset or financial liability has no current bid price or offering price, but no significant change happens to the economic environment after the last date of transaction, the fair value of such financial asset or financial liability is determined using the market price of the last transaction. When the economic environment changes significantly after the last date of transaction, the market price of the last transaction is adjusted with reference to the current price or interest rate of similar financial assets or financial liabilities so as to determine the fair value of such financial asset or financial liability. If the Group has sufficient evidence indicating that the market price of the last transaction is not the fair value, appropriate adjustment is made to the market price of the last transaction so as to determine the fair value of such financial asset or financial liability.

① Derecognizing financial liabilities

A financial liability is derecognized or partially derecognized when the underlying present obligations (or part of it) are discharged. When the company enters into an agreement with the creditor to replacing the existing financial liability with a new one, and the terms of the new financial liability is substantially different from that of the existing one, derecognizing the existing financial liability and recognizing the new one. When the company substantially amends the all or part of the terms of existing financial liability, it derecognises the all or part of the existing financial liability and recognizing the amended financial liability as a new one. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in the profit or loss for the current period.

(3) Method of determining the fair value of financial assets and financial liabilities

The Group mainly uses market value to measure fair value of financial assets and liabilities. For those without any primary market, the Group uses the most favorable market value to measure the fair value of financial assets and liabilities, and uses the most appropriate and sufficient available data and other information to support the estimation. There are three levels of estimation of fair value. The first level balance is the unadjusted quoted price for similar assets and liabilities from active market. The second level balance is the direct or indirect observable value for related assets or liabilities besides from level 1. The third level balance is the unobservable value for related assets or liabilities. The Group priority uses the first level and finally uses the third level. The hierarchy of the measurement of the fair value is determined by the lowest level of information inputs.

11. Provision for bad debts for receivables

Criteria for provision for bad debts: The Group provides provisions for bad debts on receivables when the debtors are dissolved, bankrupt, insolvent, in significant financial difficulty, or suspended their businesses

due to natural disaster and unable to settle the debts in the foreseeable period; or the receivables are defaulted for more than 3 years; or when there is objective evidence indicating that the debts cannot be recovered or are not likely to be recovered.

Potential loss on bad debts is provided for using allowance account method. At the end of the period, receivables are tested for impairment on individual or combination basis and the provisions for bad debts are recognized in the profit or loss for the current period. When there is objective evidence indicating that the receivables cannot be collected, such receivables are written off against the provisions for bad debts as losses on bad debts after granting of approval by the Group according to the required procedures.

(1) Receivables that are individually significant and are provided for bad debts on individual basis

Judgment basis or amount standard for individually significant receivables	Receivables of more than RMB100 million are regarded as individually significant receivables
Method for making provision for bad debts for individually significant receivables for which provision for bad debts is made individually	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

(2) Receivables provided for bad debts on combination basis

Basis for determining combinations	
Receivable vehicle toll combination	Determine by nature of the receivables
Receivable construction in-progress deposit combination	Determine by nature of the receivables
Receivable entrusted loan and interest combination	Determine by nature of the receivables
Aging combination	Determine the credit risk characteristics by age of the receivables
Receivable related party combination	Determine by the relationships of receivables with the parties to transaction
Provision combination	Determine by nature of the receivables
Methods for making provision for bad debts by combination	
Receivable toll combination	No provision for bad debts is made
Receivable construction in-progress deposit combination	No provision for bad debts is made
Receivable entrusted loan and interest combination	No provision for bad debts is made
Aging combination	Aging analysis
Receivable related party combination	No provision for bad debts is made in general. Provision for impairment is made using specific identification method in case of existence of impairment risk
Provision combination	No provision for bad debts is made

Proportion of provisions for bad debts on receivables by aging analysis basis adopted by the Group is as follows:

Age	Proportion to accounts receivable (%)	Proportion to other receivables (%)
Within 1 year	1-5	1-5
1-2 years	10-20	10-20
2-3 years	20-30	20-30
3-4 years	40-50	40-50
4-5 years	60-70	60-70
Over 5 years	80-100	80-100

(3) Receivables that are individually insignificant but are provided for bad debts on individual basis

Cause for making provision for bad debts individually	Receivables which of the amount are individually insignificant and the credit risk characteristics of provision made cannot be reflected on combination basis.
Method for making provision for bad debts	Provisions for bad debts are made for the excess of the carrying amount over the present value of the future cash flows

12. Inventories

Inventories of the Group mainly include raw materials, self-made semi-finished products and products in process, merchandise inventory, revolving materials, engineering construction, developed products and low-value consumables.

The Group maintains a perpetual inventory system. Inventories are recorded at actual cost of purchase when received. Actual cost is calculated using weighted average method when the inventories are acquired. The publishing industry adopts single-book accounting and specific valuation method for book-keeping; the hotel industry adopts first-in first-out method for accounting.

At the end of the period, inventories are stated at the lower of costs and net realizable value. Where the inventories are not expected to be recoverable as they become damaged, partially or wholly obsolete or whose selling price is well below its cost, provisions for inventory impairment are made for the excess of its cost over its net realizable value. Provisions for inventory impairment are made for merchandise inventory and bulk raw materials according to the excess of the cost of single inventory item over its net realizable value; provisions for inventory impairment are made for other raw and auxiliary materials of large quantity and low unit price according to categories.

Net realizable value of such available-for-sale goods inventory as merchandise inventory, products in process and available-for-sale materials is determined by the estimated selling price less estimated selling expenses and related taxes. Net realizable value of material inventory held for production is determined by the estimated selling price of finished products less estimated cost incurred upon completion, estimated selling expenses and related taxes.

13. Long-term equity investment

(1) Determination of control, joint control and significant influence of invested company

The Group’s Long-term equity investments mainly include equity investments held by the Group in the invested company over which the Group has control, joint control or significant influence and equity investments in its operating activities.

"Control" means the Group has the right to participate related activities of the invested party to gain return, and has the ability to use the right to affect the returned amount.

"Joint Control" represents a contractual agreed common control over an economic activity. Joint agreement needs to be achieved to decide any arranged related activities. Joint arrangement means any arrangement participated by two or more joint control parties. Joint venture means the joint operating party only has the right to arrange the net assets in the joint operating activities.

"Significant Influence" exists when a party has the power to participate in the decision making of the invested company’s financial and operating policies, but is not able to have control or have joint control with other parties over the formulation of these policies. The determinant evidence for significant influence is that company has representative in the invested party’s board or related organ of authority to implement significant influence through financial and operating decision. The Group directly or indirectly (through its subsidiary) owns 20% (inclusive) or more but less than 50% of shares with voting rights in the invested company. Significant influence cannot be established where there is explicit evidence indicating that the Group is unable to participate in the decision-making of the operating policy in the invested company. To decide if it has significant influence, the Group consider direct and indirect holding of invested company’s ordinary share, and consider any effects from shareholdings with potential voting right. The Group also considers the influence on any executable potential voting rights held by the Group and other parties for current period, such as issued exchangeable warrants, options and exchangeable debts.

(2) Confirmation, subsequent measurement and measurement of long-term equity investment

For consolidation price as by cash, by transferring non-cash assets or guarantee liability, the invested party’s equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party’s consolidated financial statement. The difference between original investment cost of long term equity investment and the book value of cash paid, non-cash assets transferred, and liability guaranteed is adjusted through share premium in capital reserve. When there is not enough share premiums, the difference is adjusted through retained earnings.

For consolidation price as by equity issued, the invested party’s equity acquired on consolidated date is accounted as original investment cost for long term equity investment on final control party’s consolidated financial statement. Based on the nominal value when issued as capital, the difference between the original investment cost for long term equity investment and par value of issued equity is adjusted through share premium in capital reserve. When share premium is not enough, the difference is adjusted through retained earnings.

For company consolidation not under common control: company use confirmed consolidated cost on acquisition date as original investment cost for long term equity investment.

The agency fee such as audit, legal, and estimation advisory for consolidation and other related management fee are accounted in profit and loss account in that period. The trading fee of equity and debt issued for consolidation is accounted as part of the original confirmed balance in equity or debt security.

Apart from the long-term equity investments acquired through business combination mentioned above, the long-term equity investments acquired by cash payment, the investment cost is based on the actual amount of cash paid for the acquisition. For long-term equity investment acquired by issuing equity securities, the investment cost is the fair value of the equity securities issued. For long-term equity investment invested in the Group by the investor, the investment cost is the agreed consideration as specified in the investment contract or agreement. For long-term equity investment acquired through transactions such as debts restructuring and exchange of nonmonetary assets, the investment cost is determined according to the relevant accounting standards.

The Group measured the long-term equity investments in controlling investee at cost method; the investments in mutual office and co-operating are measured under the equity method.

Under the cost method, long-term equity investments are measured at its initial investment cost, and its cost is adjusted by the amount of additional investment or the amount recovered. Invested company announces the allocated profit or cash dividend as investment return.

Under the equity method, the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is not adjusted in the initial investment cost of the long-term equity investment; the difference between the initial investment cost (which is higher than) the fair value of the Group's share of the identifiable net assets of the investee on the acquisition date, is recognized in the profit and loss in the current period, and the cost of long-term equity investment is adjusted. After acquiring the long-term investment, in accordance with the share of the net profit or loss and other comprehensive income of the investee, investment income or other comprehensive income is recognized respectively, and the book value of long-term equity investment is adjusted as well; the investor shall reduce the book value of long-term equity investment according to the profit distribution or cash dividend disclosed by the investee; the investor shall adjust the book value of long-term equity investment and recognize the amount in the owner's equity, if there is movement on shareholders' equity of investee other than net profit or loss, other comprehensive income or profit distribution. When recognizing the share of net profit or loss of the investee, adjusting the net profit of the investee using the fair value of the realizable net asset of the investee on the acquisition date as basis and according to the account policies and accounting periods of the Group; and offsetting shares of unrealized profit or loss of internal trading between the Group and its associates and joint ventures in order to recognize investment income.

(3) Changes in long-term equity investment

For long-term equity investments which result investor to have joint control over or significant effect on the investee due to additional investment and other reasons, the sum of fair value of the initial equity investment which classified as financial asset held-for-sale and the additional investment cost is the initial investment cost after changing the investment to be measured under equity method. The fair value and the book value of the initial equity investment, along with the accumulated changes of fair value which was recognized under other comprehensive income are allocated in the profit and loss of that period when changes are made. If the initial investment cost as calculated above is higher than the share of the identifiable net assets of the investee on the date when additional investment is provided, the book value of the long-term equity is not adjusted; if the initial investment cost as calculated above is lower than the share of the identifiable net assets of the investee on the date when additional investment is provided, the difference is adjusted in the book value of the long-term equity and is recognized in the non-operating income in the current period.

For long-term equity investments which result investor to control over investee which does not under the same control due to additional investment and other reasons, the initial investment cost of the long-term equity investment after changing the investment to be measured under cost method is the sum of the book value of the initial investment and the additional investment cost when preparing individual Financial Reports. If other comprehensive income was recognized before the acquisition date due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when disposing such investment. If the equity investment which was classified as financial asset available-for-sale before the acquisition date, the accumulated fair value changes that is recognized in other comprehensive income shall be allocated to the profit and loss of the period when cost method is adopted.

For long-term equity investments which result investor to no longer have joint control over or significant effect on the investee due to disposal of investment and other reasons, the Group shall recognize the difference between the fair value of the investment on that disposal date and its book value in the profit and loss of the current period if residual investment is classified as financial asset available-for-sale. If other comprehensive income was recognized due to use of equity method, the accounting treatment for it is based on the accounting treatment of disposing related assets or liabilities directly by the investee when equity method is no longer adopted.

For long-term equity investments which result investor to loss control over investee due to disposal of investment and other reasons, when preparing individual Financial Reports , equity method shall be adopted if the residual investment enables the investor to have joint control over or significant effect on the investee, and adjustments shall be made as if the equity method for the residual investment was adopted since acquisition; for residual investment which does not enable the investor to have joint control over or significant effect on the investee, and classified as financial asset available-for-sale, the difference between

the fair value and the book value on the date when control was lost is recognized in the profit and loss in the current period.

(4) Disposal of long-term equity investment

On disposal of long-term equity investments, the difference between the carrying value of a long-term equity investments and the actual consideration received is recognized as investment income for the current period. For long-term equity investments accounted for using equity method, when disposal, the proportion that originally accounted in other comprehensive income is now adjusted based on the standard of the same as disposal of related assets or liabilities by invested party directly.

14. Investment properties

Investment properties of the Group include land use rights leased, land use rights held for transfer after appreciation and buildings leased.

Investment properties of the Group are measured at cost. The cost for investment properties purchased from outsiders includes purchase price, related taxes and other expenses directly related to the assets. The cost of investment properties constructed by the Group includes the required construction expenses incurred to bring the assets to the condition of intended use.

Investment properties of the Group are subsequently measured using the cost model. Provision for depreciation or amortization is made according to their estimated useful life and net residual value rate. Estimated useful life and net residual value rate of investment properties are as follows:

Category	**Depreciation period (years)**	**Estimated residual value rate (%)**
Land use right	Amortized by the useful life of land	0
Housing and building	20-55	3-10

Where an investment property is changed for owner-occupied purpose, it is transferred to a fixed asset or intangible asset at the date of the change. Where the owner-occupied property is changed for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to an investment property at the date of the change. On conversion, the carrying amount immediate before conversion is taken as the cost of the asset.

An investment property is derecognized on disposal or retirement when it is expected that there shall be no economic benefit through disposal. Where the investment properties are sold, transferred, retired or damaged the proceeds from disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

15. Fixed assets

Fixed assets of the Group are tangible assets that are held for the purpose of producing goods, rending services, leasing or operation and management and have useful lives of more than one year with unit value more than RMB2,000.00. A fixed asset which simultaneously meets the following conditions is recognized: economic benefit contained in such fixed asset is likely to flow into the entity; cost of such fixed asset can be measured reliably.

Fixed assets consist of roads and structures, railway tracks, security and surveillance facilities, buildings, plant and machinery, transportation equipment, land, office equipment and others. The cost for fixed asset is measured at cost at the time when it is acquired. The cost of fixed asset purchased from outsiders includes purchase prices, import tax and other related taxes and other expenses incurred to bring the assets to the condition of intended use. The cost of fixed asset constructed by the Group includes the required expenses incurred to bring the assets to the condition of intended use. The fixed asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements, or the fair value where the agreed consideration as specified in the contracts or agreements is not justified. The fixed asset acquired under a finance lease is measured at the lower of its fair value and the present value of the minimum lease payment at the date of inception of the lease.

Subsequent expenditures incurred for a fixed asset, such as maintenance expenses and renovation and improvement expenses, are included in the cost of fixed asset when they meet the recognition criteria of a fixed asset, and the carrying amount of the replaced parts is derecognized. The subsequent expenditures incurred for a fixed asset are recognized in profit or loss for the current period in which they are incurred when they do not meet the criteria of a fixed asset.

Depreciation is provided for all fixed assets and lands measured individually, except for the fixed assets that are fully depreciated and remain in use and land that is separately valuated and recorded.

(1) Depreciation is provided for toll roads in the transportation industry and such construction equipment as bridge girder erecting machine, drill, mixing plant, spreading machine and road mixing machine in the building industry using working capacity method.

Depreciation is provided for roads and structures in the transportation industry for a period of 30-50 years using traffic method, with no residual value reserved. No-Operation Toll Highway is not depreciated.

Depreciation is provided for construction equipment in the building industry using working capacity method. The estimated working capacity and estimated residual value rate are as follows:

Equipment	**Nature**	**Estimated working capacity**	**Estimated residual value rate**
1. Asphalt mixing plant, asphalt spreading machine and special supporting equipment for asphalt concrete road construction.	Made in China	900,000 t	5%
	Imported	1,400,000 t	5%
	Made in China	300,000 m^3	5%

Equipment	Nature	Estimated working capacity	Estimated residual value rate
2. Concrete mixing plant, slip form spreading machine and special supporting equipment for cement concrete road construction.	Imported	500,000 m^3	5%
3. Bridge girder erecting machine	Made in China	1000 working days	5%
4. Tower crane.	Made in China	2400 working days	5%
5. Drill	Made in China	720 working days	5%
	Imported	1200 working days	5%
6. Joint stone crusher and cold mixer	Made in China	1440 working days	5%

(2) Net residual value rate, method of depreciation and useful life of categories of railway track system in the transportation industry are as follows:

Category of assets	Useful life	Method of depreciation	Net residual value rate
Rolling stock	20 years	Working capacity method	4%
Container	5 years	Straight-line method	4%
Track			
Wherein: Subgrade	100 years	Straight-line method	0%
Crossing	45 years	Straight-line method	1%
Bridge	65 years	Straight-line method	2.5%
Other bridge and culvert projects	45 years	Straight-line method	1%
Tunnel	80 years	Straight-line method	4%
Culvert	55 years	Straight-line method	1%
Shelter forest	45 years	Straight-line method	1%
Track isolation network	15 years	Straight-line method	2.5%
Steel rail, sleeper and ballast		No depreciation	
Signal equipment	8 years	Straight-line method	4%
Housing and building			
Wherein: general buildings	40 years	Straight-line method	4%
Buildings for production subject to corrosion	25 years	Straight-line method	4%
Buildings for production subject to strong corrosion	15 years	Straight-line method	4%
Makeshift buildings	10 years	Straight-line method	4%
Building	25 years	Straight-line method	4%

Category of assets	Useful life	Method of depreciation	Net residual value rate
Mechanical and power equipment	20 years	Straight-line method	4%
Transportation and starting equipment	12 years	Straight-line method	4%
Transmission equipment	25 years	Straight-line method	4%
Electrical power supply equipment	10 years	Straight-line method	4%
Instruments and meters	12 years	Straight-line method	4%
Tools and appliances	10 years	Straight-line method	4%
Information technology equipment	10 years	Straight-line method	4%

(3) Except for (1) and (2) above, useful life and estimated residual value rate of fixed assets of the Group are as follows:

No.	Category	Useful life	Estimated residual value rate
1	Housing and building	20-55 years	3-10%
2	Wherein: makeshift buildings	8-20 years	3-10%
3	Plant and machinery	5-30 years	3-10%
4	Vehicles	3-15 years	3-10%
5	Office equipment and other	3-15 years	3-10%

The Group re-assesses the estimated useful life and estimated net residual value of a fixed asset and the depreciation method at the end of each financial year. Any changes will be dealt with as changes on accounting estimates.

A fixed asset is derecognized on disposal or it is expected that there shall be no economic benefit arising from using or after disposal. Where the fixed assets are sold, transferred, retired or damaged, the income received after disposal after deducting the carrying amount and related taxes are recognized in profit or loss for the current period.

16. Construction in progress

Construction in progress is measured at cost actually incurred. A construction project carried out by the Group is measured at direct materials, direct wages and direct cost of construction; a construction project contracted out is measured at project price payable; cost of an equipment installation project is determined by such expenses incurred as value of equipment installed, installation cost and project commissioning fee. Cost of construction in progress also includes borrowing costs which should be capitalized and gain or loss arising from exchange.

From the date when the construction in process is available for expected use, fixed assets are carried forward at estimated value according to construction budget, pricing or actual cost of construction project.

Depreciation is provided for from the next month. Difference in original value of fixed assets is adjusted after the completion of formalities of final accounts for completion of construction.

17. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange difference arising from foreign currency borrowings. When expenditures for assets and borrowing costs are being incurred, activities relating to the acquisition, construction or production of those assets that are necessary to prepare the assets for their intended use or sale have commenced, borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, shall be capitalized. Capitalization of borrowing costs shall cease when the assets under acquisition, construction or product is ready for its intended use or sale. Other borrowing costs shall be recognized as expenses for the current period.

The amount of interest of specific borrowings occurred for the period shall be capitalized after deducting any interest earned from depositing the unused specific borrowings in the bank or any investment income arising on the temporary investment of those borrowings during the capitalization period; The capitalized amount of general borrowings shall be determined at the basis that the weighted average (of the excess amounts of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

Assets eligible for capitalization represent the fixed assets, investment property and inventories, etc, which shall take a long time (generally over 1 year) for acquisition, construction or production to be ready for its intended uses or sales.

When an asset eligible for capitalization is interrupted abnormally and the suspending period lasts more than 3 months during acquisition, construction or production, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production of such assets resume.

18. Intangible assets

Intangible assets of the Group, including land use rights, highway operation rights, patented technology, non-patented technology, software, mining rights and BOT assets are recognized at actual cost at the time of acquisition. The actual cost of the purchased intangible assets is measured at the actual payment and other related expenses. The actual cost of intangible asset acquired by an investor is measured at the agreed considerations as specified in the investment contracts or agreements. In case where the agreed consideration of the contracts or agreements is not justified, the assets are measured at fair value.

Land use rights are evenly amortized over their lease terms from the date of transfer. Patented technology, non-patented technology and other intangible assets are evenly amortized on the basis of the shortest of their estimated useful lives, the number of beneficial years as stipulated by contract and the valid term required

by law. Amortization amount is included in the cost of related assets and profit or loss for the current period based on the beneficiary of the assets. The mining right of Tianrui Mining is amortized by using working capacity method.

The estimated useful lives and amortization method of intangible assets with finite useful lives are re-assessed at the end of each financial year. Any changes will be dealt with as changes on accounting estimates. The estimated useful lives of intangible assets with indefinite useful lives are reviewed in each accounting period. Where there is objective evidence to prove that the useful life of an intangible asset is finite, the Company shall estimate the useful life and amortize that intangible asset over its estimated useful life.

19. Research and development

Research and development expenses of the Group are classified as research expenses and development expenses according to their nature and the certainty over research and development activities' final formation of intangible assets. Research expenses are recognized in the profit or loss for the current period when they are incurred; development expenses which simultaneously meet the following conditions are recognized as intangible assets:

(1) It is technically feasible to complete such intangible assets so as to enable the use or sale thereof;

(2) There is the intent to complete and use or sell such intangible assets;

(3) Products produced by such intangible assets have market or such intangible assets themselves have market;

(4) There is sufficient technical, financial and other resources to complete the development of such intangible assets and such intangible assets are able to be used or sold;

(5) Expenses attributable to the development of such intangible assets can be reliably measured.

Development expenses which fail to meet the foregoing conditions are recognized in the profit or loss for the current period when they are incurred. Development expenses which have been previously recognized in the profit or loss are not recognized as assets for periods thereafter. Development expenses already capitalized are recognized as development expenses in the balance sheet and translated to intangible assets from the date when such project is available for expected use.

20. Long-term deferred expenses

Long-term deferred expenses of the Group are expenditures such as decoration cost and road and bridge renovation cost, which have incurred but shall be amortized over the current period and subsequent periods of more than 1 year (excluding 1 year). They are amortized evenly over the estimated beneficial period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to the profit or loss for the period.

21. Goodwill

Goodwill represents the excess of the cost of equity investment or cost of business combination not under common control over the Group's entitlement to or acquisition of (through the business combination) interest in the fair value of the net identifiable assets of the invested company or the acquire at the date of acquisition or combination. Goodwill relating to subsidiaries is presented in consolidated financial statements as a separate item. Goodwill relating to associates and jointly controlled entities is included in the carrying amount of the long-term equity investment.

22. Impairment of long-term non-financial assets

As of each balance sheet date, the Group assesses whether there is any sign indicating that the long-term equity investments, fixed assets, construction in progress and intangible assets with finite useful lives may be impaired. If there is any sign indicating that an asset may be impaired, the asset will be tested for impairment. Goodwill arising in a business combination and an intangible asset with indefinite useful lives are tested for impairment annually, irrespective of whether there is any sign to indicating that the asset may be impaired. When it is impossible to make the impairment test on the recoverable amount of an individual asset, the impairment test should be made on the basis of the corresponding assets combination or the combination of group assets belongs to.

After the test of impairment, if the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss. Once an impairment loss on the assets is recognized, it will not be reversed in subsequent periods. The recoverable amount of an asset is the higher of the net of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

The signs of impairment are as follows:

(1) The current market price of an asset declines substantially, exceeding obviously the expected decline caused by time changes or normal application;

(2) There are significant changes in the economic, technical or legal environment in which the enterprise operates and in the market where the asset is located in the current period or near future, resulting in adverse impacts on the enterprise;

(3) The market interest rate or rate of return of other market investment has increased in the period, affecting the discount rate used by an enterprise for the calculation of the present value of the asset estimated future cash flow which results in a substantial decline in the recoverable amount of the assets;

(4) There is evidence to demonstrate that the asset has already gone obsolete or its entity has already been damaged;

(5) The asset has already been or will be left idle, ceased to be used, or planned to be disposed in advance;

(6) There is evidence from the internal reports demonstrating that the economic returns of asset, such as the net cash flows generated by asset or operating profit (or loss) realized by asset, are much lower (higher) than that as expected;

(7) Any other sign indicates that the value of an asset may have already been impaired.

23. Payroll

The payroll of the Group refers to remuneration and compensation offered by the Group when receiving services from its employees or terminating the employment, including: short-term payroll, post-employment benefit, resignation benefit and other long-term employee benefit. The benefits offered by the Group to the employees' spouse, children, dependent, family members of deceased employees and other beneficiaries.

(1). Short-term payroll refers to payrolls which will be paid in full no later than 12 months after the period in which employees render their services, except for compensation for termination of employment. The Group's short-term payroll includes salaries, bonus, allowances and subsidies, staff benefits, medical insurance premiums, labor injury insurance, maternity insurance and other social security insurances, housing fund, union fund and staff education fund, short-term paid absences, short-term profit distribution plans, non-monetary benefits and others.

The Group recognizes payroll payables as liabilities during the accounting period in which employees render their services and allocates it to related cost of assets and expenses based on the beneficiaries of the services. Non-monetary benefits are measured in its fair value.

(2). Post-employment benefit refers to variety of remuneration and compensation offered by the Group after receiving services from its employees or terminating the employment. Those belong to short-term payroll and resignation benefits are not included here.

The defined contribution plan of the Group is to pay basic pension insurance, unemployment insurance and annuity etc. according to relevant regulations of local government. During the period in which employees render their services, the amount payable is calculated in accordance with the required pay base and percentage, which is recognized as a liability and recorded into the current profit and loss or relevant asset cost.

The Group establishes annuity, and the funds are paid by the Group as well as the employees. The amount paid by the Group is 5% of the total salaries of last year and is allocated to the cost of the Group. The amount paid by individual employees is 5% of the pay base of this year's basic pension insurance, and is withheld and paid by the Group from their salaries.

According to the formula obtained by using projected unit credit method, the Group allocates the benefit resulted from the defined benefit plan to the periods when employees render services, and allocates it to profit and loss of the current period or related cost of assets. The deflect or surplus is the present value of define benefit plan obligation less the fair value of plan assets which is recognized as a net defined benefit liability or asset. When the surplus exists, the net defined benefit asset is the lower of the surplus and asset cap of the defined benefit plan.

All the define benefit plan obligation, including obligation paid within 12 months after the end of reporting period when employees rendering their services, the Group should discount the income according to the balance sheet date and the term of define benefit plan obligation, the income of bond with matching currency or high-quality corporation debenture.

The service cost of defined benefit plan and the net interest of net defined benefit liability or asset should be allocated it to profit and loss of the current period or related cost of assets; the re-measurement of net defined benefit liability or asset is recognized in the other comprehensive income and will not be reclassified to profit and loss.

On the settlement date of the define benefit plan, income or loss is recognized according to the difference between the present value of define benefit plan obligation and settlement price.

(3). Resignation benefit is the compensation offered when the Group terminates the employment with an employee before the expiry of the employment contract or provides compensation for acceptance of voluntary redundancy. For employees who have not terminate their employment contract, but will not render their services or bring any future economic benefits to the Group, the Group commits to provide compensation with properties of resignation benefit. In any case of early retirement, the Group should offer resignation benefit before the official date of retirement, and post-employment benefit should be offered after that date.

When the Group is not allowed to unilaterally withdraw the termination plan or the redundancy offer, the estimated liability for compensation arising from the termination of employment with employees should be charged to the profit or loss for the current period, and is recognized at the earlier date of the confirmation time of the related cost or expense.

For resignation benefits which are expected to unable to paid in full during the reporting period or after 12 months of that period, for those resignation which will be completed within one year but compensation will be paid over one year, the Group should choose appropriate discount rate to calculate and recognize the discounted resignation benefit amount in the profit and loss of the current period.

(4). Other long-term employee benefits are the benefits other than short-term payroll, post-employment benefit and resignation benefit, and including long-term paid absences, long-term disability benefit, long-term profit distribution plan and so on.

When the long-term employee benefits offered by the Group meet the conditions of defined contribution plan, the accounting treatment of defined contribution plan is applied. When the long-term employee benefits offered by the Group meet the conditions of defined benefit plan, the relevant regulations are applied, and net liability and net asset of other long-term employee benefit are recognized and measured. At the end of reporting period, the Group discloses the payroll cost of other long-term employee benefit into two components: service costs; net interest of net liability or net asset of other long-term employee benefit. The net amount should be recognized in the profit and loss in the period or related cost of assets.

24. Share-based payment

Share-based payment refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees or other parties. Share-based payment consists of equity-settled share-based payments and cash-settled share-based payments.

The equity-settled share-based payments in return for employee services are measured at the fair value of the equity instruments granted to employees on the grant date. If the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then the amount of such fair value should, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses using the straight-line method during the vesting period and the capital reserves should be increased accordingly.

A cash-settled share-based payment is measured in accordance with the fair value of liability confirmed based on the shares or other equity instruments undertaken by the Group. If the right may be exercised immediately after the grant, the fair value of the liability undertaken is, on the grant date, included in the relevant costs or expenses, and the liabilities are increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period, based on the best estimate of the information about the exercisable right, are included in the relevant costs or expenses at the fair value of the liability undertaken by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each year end date prior to the settlement of the relevant liabilities, the fair value of the liabilities is re-measured and changes are included in the profit or loss for the current period.

25. Bonds payable

Bonds payable of the Group are measured at fair value on initial recognition, and relevant transaction costs are included in initially recognized amount. They are subsequently measured at amortized cost.

Difference between payment price of bonds and aggregate nominal value of bonds is recognized as bond premium or discount and is amortized on provision for interest over the duration of bonds using the effective interest method and treated according to the principles for treatment of borrowing costs.

26. Provisions

The business related to such contingencies as external guarantee, trade acceptance discount, pending action or arbitration and product quality assurance which simultaneously meets the following conditions is recognized by the Group as a liability: such obligation is a current obligation assumed by the Group; the performance of such obligation may result in the flow of economic benefit out of the enterprise; the amount of such obligation can be measured reliably.

Provisions are initially measured based on the best estimate of expenditures necessary for the performance of relevant current obligations and in overall consideration of such factors relating to contingencies as risk, uncertainty and time value of money. If the time value of money has significant influence, the best estimate is determined after relevant future cash outflows are discounted. The carrying amount of provisions is reviewed on each balance sheet date. In case of any change, the carrying amount is adjusted to present the current best estimate.

27. Principle of the recognition of revenue

The operating incomes of the Group are generated mainly from toll in the transportation industry, revenue from sale of commodities, rendering services, construction contracts, BT or BOT project financing, assignment of assets use rights, agency commission and brokerage. The principles of revenue recognition are as follows:

(1) Revenue from toll in the transportation industry: revenue from toll collected by the online toll system of Sichuan Province is taken as the realization of operating income after being confirmed by the Expressway Monitoring and Settlement Center of Sichuan Communications Department through clearing and settlement.

(2) Revenue from sale of commodities: when main risks and rewards of ownership of a commodity have been transferred to the buyer, the Group no longer exercises the right of continuous management and effective control associated with the ownership in respect of such commodity, economic benefits relating to the transaction are able to flow into the enterprise and relevant revenue and costs can be reliably measured, the realization of the revenue from sales of commodities is recognized.

(3) Revenue from rendering services: when the total revenue and the total cost of services can be reliably measured, the economic benefit relating to provision of services is likely to flow into the Group, and the results of services can be reliably determined, the realization of the service revenue is recognized. On the balance sheet date, if the results of transaction of rendering services can be reliably estimated, relevant service revenue is recognized using the percentage-of-completion method, and the percentage of completion is determined according to the proportion of cost incurred to the estimated total cost; if the results of transaction of rendering services cannot be reliably estimated and the cost of service incurred is expected to be compensated, revenue from provision of services is recognized in the amount of cost of services which is incurred and can be compensated, and cost of services incurred is carried forward; if the results of

transaction of rendering services cannot be reliably estimated and the cost of services incurred is unlikely to be compensated at all, cost of services incurred is recorded in the profit and loss for the current period and the service income is not recognized.

(4) Revenue from BT or BOT project financing: in the case of a project where public infrastructure is constructed by means of BOT (build-operate-transfer) or BT (build-transfer) and charges are not collected from the public but reimbursed by the government after operation, cost of construction incurred and financing interest are recognized in long-term receivables. In respect of government repayment plan as contracted, the gain which should be recognized is calculated using the effective interest method. In case of any significant difference between the government's reimbursement actually received and the repayment plan stipulated, effective interest rate is adjusted according to the actual situation and the repayment plan modified and the gain which should be recognized is re-calculated.

(5) Revenue from assignment of right to use of assets: if economic benefits relating to a transaction can flow in and the amount of revenue can be reliably measured, the realization of revenue is recognized according to such time and method as stipulated by relevant contracts and agreements.

(6) Revenue from securities companies: commission revenue from trading in securities on behalf of customers is recognized as revenue on the date of securities transaction; commission revenue from redemption of securities as an agent is recognized as revenue when relevant services provided for redemption of securities are completed; commission income from custody of securities as an agent is recognized as revenue when custody services are completed; in case of balance underwriting and sales by proxy, revenue is recognized when relevant services provided for underwriting business are completed.

28. Construction contracts

The Group recognizes contractual revenues and contractual expenses using the percentage-of-completion method on the balance sheet date when total contractual revenues can be reliably measured, economic benefits relating to contracts are likely to flow into the Group, contractual costs incurred can be clearly distinguished and reliably measured, and the progress of contract completion and costs necessary for the completion of contracts can be reliably determined. When the percentage-of-completion method is adopted, the progress of contract completion is determined according to the proportion of the contracted working capacity completed to the estimated total working capacity of the contract.

When results of a construction contract cannot be reliably estimated, if contract cost can be recovered, contract revenue is recognized according to the actual contract cost which can be recovered, and contract cost is recognized as an expense for the current period; if contract cost cannot be recovered, contract cost is recognized as an expense immediately after it is incurred and no revenue is recognized.

The Group checks construction contracts at the end of period. If the estimated total cost of construction contracts will exceed the estimated total revenue of construction contracts, provision is made for loss and estimated loss is recognized as an expense for the current period.

29. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained reliably, it should be measured at nominal amount (1RMB).

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortized to profit or loss in a reasonable and systematic manner within the useful life of the relevant assets. A grant that compensates the Group for expenses or losses to be incurred in the future is recognized initially as deferred income, and recognized in profit or loss or released to relevant cost in the period in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses already incurred is recognized to profit or loss or released to related cost immediately.

Government grants related to daily activities are recognized in other income or written down the related cost and expenses according to the nature of business activities. Government grants related to non-daily activities are recognized in non-operating income or expenses.

30. Deferred income tax assets and deferred income tax liabilities

The deferred income tax assets and deferred income tax liabilities of the Group are recognized based on the differences between the tax bases of assets and liabilities and their respective book values (temporary differences). For deductible tax losses or tax credit that can be brought forward in accordance with tax law for deduction of taxable income in subsequent years, it is considered as temporary differences and related deferred income tax assets are recognized. As of the balance sheet date, deferred income tax assets and liabilities are measured at the applicable tax rates that are expected to apply to the period in which the assets are realized or liability is settled.

The deferred income tax assets arising from the deductible temporary difference are recognized to the extent that it is probable that taxable profit will be available to the Group to offset such deductible temporary difference. With regard to the deferred tax assets that have already been confirmed, if it is anticipated that

no future taxable profits will be available to offset the deferred income tax assets, the carrying value of the deferred income tax assets will be reduced. If it is very likely that sufficient taxable profits will be available, the amount so reduced will be reversed.

31. Leases

Leases are classified as finance leases and operating leases at the date of inception by the Group.

Finance lease is a lease that substantially transfers all the risks and rewards of ownership of the assets. The Group, as a lessee, recognized the assets under finance lease at the inception of the leases at the lower of their fair value and the present value of minimum lease payments. The corresponding liability is recorded as ‘‘long-term payable’’ at the amount of minimum lease payments. Their difference is recorded as unrecognized finance lease charge.

Operating leases are leases other than finance leases. The Group, as a lessee, recognized lease payments as a cost of an assets or an expense on a straight-line basis over the terms of the relevant lease. The Group, as a lessor, recognized lease payments as rental income on a straight-line basis over the terms of the relevant lease.

32. Accounting for income tax

Income tax is accounted by using the balance sheet liability method. Income tax expenses represent the sum of current income tax and deferred income tax. Current income tax and deferred income tax in connection with the transactions and matters that are directly recorded in shareholders’ equity are dealt with in shareholders’ equity. Deferred income tax arising from business combination is adjusted to the carrying value of goodwill. Expenses or income of all other current income tax and deferred income tax are recognized in the profit or loss for the period.

The current income tax payable is the amount of tax payable to taxation authority by the enterprises in respect of the transactions and matters of the current period calculated according to the taxation regulations. The deferred income tax is the difference between the balances of the deferred income tax assets and deferred income tax liabilities that should be recognized using the balance sheet liabilities method at the end of the period and their balances originally recognized.

33. Assets held-for-sale

The Group classifies non-current assets as assets held-for-sale when they meet following requirements: 1) the Group has made a resolution on disposal of the non-current assets; 2) the Group has already made an irrevocably transfer agreement with the acquiring party; 3) the transfer agreement is likely to be completed within one year. Assets held-for-sale includes individual assets and disposal groups. Disposal groups refer to a group of assets which are sold or disposed in other ways as a whole, and the directly related liabilities

of these assets are transferred in the translation. Disposal groups usually are a group of asset group, an asset group or a part of some asset group.

For fixed assets, the Group adjusts the expected residual value of the fixed assets when recognizing them as assets held-for-sale to reflect the difference between their fair value and disposal expenses, as long as the amount is not higher than the book value of the fixed assets. If the original book value is higher than the adjusted residual value, the difference is recognized as impairment loss and allocated in the profit and loss in the current period. The fixed assets which are held-for-sale will not be depreciated, and are measured according to the book value and the fair value less disposal expense.

When an asset or disposal group classified as held-for-sale no longer meet the recognition criteria, the Group should stop classifying it as asset held-for-sale and measure it at the lower of the following: the book value of the asset or disposal group before classified as held-for-sale, and adjusting for depreciation, amortization or impairment as if it was not recognized as asset held-for-sale; the recoverable amount at the date when the asset or disposal group is not holding for sale.

The intangible assets, long-term equity investment and other non-current assets which meet the recognition criteria should be treated in accordance with the stated principle.

34. Fair value measurement

(1). Fair value at initial recognition

For assets and liabilities measured at fair value, the Group considers factors specific to the asset or liability and defines the price that would be paid to acquire the asset or received to assume the liability in an orderly transition between market participants at the measurement date as fair value. When calculating related assets and liabilities measured with fair value, the transaction of market participants selling assets or transferring liabilities on the measurement day is an orderly transaction under the current market conditions. The transaction should be completed in the principle markets of the assets and liabilities; the transaction should be completed in the most advantageous market if they do not have any principle markets; assuming the market participants try to maximize their economic benefits when pricing the assets or liabilities. When measuring non-financial assets, the Group should consider the ability to generate economic benefits by the market participants with the highest and best use of the asset, or the ability to generate economic benefits for selling the asset to other market participants with the highest and best use of the asset.

(2). Valuation techniques

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The valuation techniques mainly include market approach, income approach and cost approach. When applying valuation techniques, relevant observable inputs should be used prioritized, unobservable inputs should only be used when relevant observable inputs cannot be obtained.

(3). Fair value hierarchy

The Group determines the level of fair value measurement results according to the lowest level described in the input values of great significance as a whole: level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The active market is the market which has the greatest volume and level of activity for the asset or liability; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

35. Accounting treatment for financial asset transfer and non-financial asset securitization business

When financial assets are transferred, judgments should be made according to whether substantially all risks and rewards of the ownership of the financial assets are transferred to another party: if all the risks and rewards are transferred, the related financial assets should be derecognized; the financial asset should not be derecognized if the asset is not transferred and substantially all the risks and rewards are not transferred; if the asset is not transferred and substantially all the risks and rewards are transferred, the Group shall determine whether to derecognized the asset in accordance with the extent to which the financial asset is controlled: derecognize the financial asset if the asset is not controlled by the Group; if the control is sustained, related financial assets as well as related financial liability should be recognized according to the extent of continuously involvement of the financial asset. The difference between consideration received and the book value of the financial assets shall be allocated into profit and loss in the current period when the financial assets meet the derecognition criteria. The accumulated fair value movement of financial assets which was recognized in the equity should be reallocated into profit and loss in the current period; if part of the derecognition criteria is met, splitting the book value of the total transfer asset according to their fair value of the derecognized part and the other part, pro data, using the divided book value in contrast to the whole assets, and treating the transferred part. The consideration shall be recognized as financial liability if the asset does not meet the derecognition criteria.

36. Segment information

Segments of the Group are identified and segment information is disclosed in its financial statements based on industry sectors.

37. Discontinued operations

Discontinued operation refers to a component which has been disposed of or held for sale and can be separately distinguished on operation and preparation of financial statements. Such component will be disposed in whole or part as scheduled.

A component which simultaneously meets the following conditions is held for sale: a resolution has been made on the disposal of such component, an irrevocable transfer agreement has been entered into with the transferee, and such transfer will be completed in one year.

IV. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS

1. Changes in accounting policies and their effect

The Company prepared the 2018 financial statements in accordance with the *Notice on the Revising and Issuing the Format of Financial Statements of General Enterprise of 2018(Cai Kuai[2018]No. 15)* issued by the Ministry of Finance on June 15, 2018 and its interpretation and the requirements of the *Accounting Standards for Business Enterprises*. This change in accounting policy adopts retrospective approach for adjustment. The reporting items and amounts of 2017 annual financial statements that are significantly affected are as follows:

Old presentation items and amounts of reports		**New presentation items and amounts of reports**	
Notes receivables	674,817,627.55	Notes & Accounts receivables	15,375,545,182.52
Accounts receivables	14,700,727,554.97		
Interest receivables	479,451,773.31	Other receivables	30,492,986,684.77
Dividend receivables	32,262,252.32		
Other receivables	29,981,272,659.14		
Fixed assets	232,662,328,178.90	Fixed assets	232,673,588,134.76
Disposal of fixed assets	11,259,955.86		
Construction in progress	65,891,000,950.90	Construction in progress	66,676,462,928.41
Project materials	785,461,977.51		
Notes payables	1,186,001,132.85	Notes & Accounts payables	32,498,255,648.10
Accounts payables	31,312,254,515.25		
Interest payables	2,513,784,554.24	Other payables	24,034,937,917.08
Dividend payables	886,792,554.45		
Other payables	20,634,360,808.39		
Long-term payable	15,107,490,272.85	Long-term payable	28,987,347,493.31
Special payable	13,879,857,220.46		
Administrative expenses	6,550,108,167.54	Administrative expenses	6,465,160,722.99
		Research and development expenses	84,947,444.55

2. Changes in accounting estimates and their effect

There is no change in accounting estimates during the period.

3. Correction of errors of prior periods and their effect

There is no correction of errors during the period.

4. Adjustment of figures at the beginning of period due to changes in scope of consolidation

There is no adjustment of figures at the beginning of period due to changes in scope of consolidation

V. TAXATION

Main tax categories and tax rates applicable to the Group are as follows:

1. Value added tax ("VAT")

General taxpayers are subject to VAT on sales of goods, import of goods and provision of VAT taxable services at the rate of 6%, 13% ,16%and 17%, and small-scale taxpayers are subject to VAT on sales of goods and provision of taxable services at the rate of 3%, the export products shall implement the policy of exemption, deduction and refund.

(1). In accordance with the stipulation in Notice of Tax Benefits List of Resource Comprehensive Utilization of Products and Services (Cai Shui [2015] No.78) printed by the Ministry of Finance and State Administration of Taxation, garbage disposal, sludge disposal, sewage disposal and electricity generation through refuse incineration projects of the subsidiary Zigong Energy Investment Western Environmental Protection Power Generation Co., Ltd of Sichuan Energy Industry Investment Group Co., Ltd are listed in the Tax Benefits List of Resource Comprehensive Utilization of Products and Services, which enjoy tax refund after taxing of VAT.

(2). In accordance with Stipulation of Experimental Transition from Business Tax to Value-added Tax (Cai Shui [2016] No.36), children care and education services provided by Sichuan Energy Investment Ruijia Property Co., Ltd., one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoy VAT tax free benefit.

(3) In accordance with the stipulation of Notice about Problems in Promoting the Development of VAT, Business Tax and Corporate Income Tax policy in Energy Saving Industry (Cai Shui [2010] No.110), the contractual energy management projects of Energy saving company, transferring to energy using companies is VAT tax free. Chengdu GENL Investment Co., Ltd. which is the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. obtained the notice of tax issues (Cheng Gao Guo Shui Tong No.510198141208407) from National Tax Bureau of Chengdu High-tech Zone. The contractual energy management projects are VAT non-taxable, the benefit period is from January 1, 2015 to December 31, 2021.

(4) According to the Notice about Entire Implementation of Experimental Transition from Business Tax to VAT of the Ministry of Finance and State Administration of Taxation (Cai Shui [2016] No.3 Appendix Article I No.11),The tickets revenue of Sichuan Ludi Bridge New City Culture Travel Co., Ltd. which is a

subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. is non-taxable of VAT, it obtained the Taxpayer Tax Reduction and Exemption Registration Form which was approved by National Tax Bureau of Ludi of Ganzi State on July 7,2016.

(5). In accordance with Guo Shui Han [2009] No.591, the rural grids maintenance income from selling of electronic power will be exempt from VAT. Sichuan-Hydropower-Investment &Management Group Ltd. the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd. enjoyed exemption of VAT.

(6).In accordance with Cai Shui [2013] No.106, approved by People's Bank of China, China Securities Regulatory Commission, and Commerce Department, the tangible property lease service provided by general taxpayer which is one of the experimental taxpayer in financial leasing industry, which part the actual tax burden of VAT over 3% enjoyed tax refund after taxing benefit of VAT. Sichuan Jinshi Leasing Co., Ltd. is one of subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. enjoys the VAT preferential policy mentioned above.

(7). In accordance with the Circular on Continued Implementation of the Preferential VAT Tax and Business Tax Policies for Culture Industry (Cai Shui[2018] No.53) issued by the Ministry of Finance and State Administration of Taxation of the people's Republic China: ① the VAT of publications will be fully taxed and return later or 50% taxed and return later in accordance with the category it belongs to in the publishing process, and the implementing period starting from 1 January 2018 to 31 December 2020 ②the wholesale and retail of books will be tax free during the period between 1 January 2018 and 31 December 2020, Xinhua Group enjoyed this preferential tax policy in the business of wholesale and retail of books.

(8). The airline food revenue of subsidiaries Sichuan Airlines LSG Catering Co., Ltd. and Sichuan Airlines Chongqing Airport Catering Co., Ltd. consolidated into the scope of Sichuan Airlines Group Co. Ltd is applied to VAT, The output value added tax rate of domestic products is 17%, and its input tax of purchasing raw materials can be deducted from output tax. Besides food provide for oversea airlines is applicable for the policy of exemption, deduction and refund. The VAT of maintenance services provided by Sichuan Airlines krater Engineering Technology Co., Ltd. and Sichuan aircraft maintenance engineering Co., Ltd. consolidated into the scope of Sichuan Airlines Group Co. Ltd, which part that the actual tax burden is over 6% enjoys the tax refund after taxing policy.

(9). In accordance with Cai Shui [2013] No.106, The international goods transportation agency services provided by experimental taxpayer are non-taxable of VAT. From October 1, 2016 to September 30, 2019, the international goods agency business of Sichuan Luzhou Port Supply Chain Management Co., Ltd. which is one of subsidiaries of Sichuan Luzhou Port Co., Ltd. owned by Port Channel Company is VAT exempted after registered in National Tax Bureau of Long Ma Tan District of Luzhou of Sichuan.

(10). Pursuant to Catalogue of Preferential VAT for Products that Comprehensively Utilize Resource and Service, Xingwen Shihai Environment Protection Technology Co., Ltd. and Nanbu Chuan Water Investment

Sewage Disposal Co., Ltd. which are subsidiaries of Guorun Environment enjoys the VAT refund after taxing preferential policy and now is applying for the 70% tax refund after taxing benefit from tax bureau in charge. The subsidiary Mianzhu Guorun Water Supply Co., Ltd. has obtained the 13% VAT preferential rate from the tax bureau in charge, according to the Notice of VAT Policy about Sewage Disposal issued by the Ministry of Finance and State Administration of Taxation of the People's Republic China (Cai Shui [2001] No.97). In accordance with the Notice of VAT Policy about Sewage Disposal Revenue issued by the Ministry of Finance and State Administration of Taxation of the People's Republic China, the subsidiary Mianzhu Guorun Water Supply Co., Ltd. obtained the VAT-exemption benefit for sewage water revenue.

2. Urban construction tax and education surcharge:

Category	Calculation base	Tax rate
Urban construction tax	Payable VAT	1%, 5%, 7%
Educational surcharge	Payable VAT	3%
Local educational surcharge	Payable VAT	2%

3. Enterprise income tax (''EIT'')

Enterprises of the Group are subject to EIT at the rate of 25%, except for the following entities that enjoy preferential income tax policies:

(1). In accordance with the Notice Concerning EIT Treatment of Special-Purpose Financial Funds (Cai Zheng [2011] No. 70) issued by the Ministry of Finance and State Administration of Taxation of the people's Republic China, subsidized funds obtained by the Company are nontaxable revenue.

(2). According to the stipulation in the Enterprise Income Tax Law, operating income from the investment of public infrastructure projects which satisfied the scope, condition and criteria of the Corporate Income Tax Benefits List of Public Infrastructure is nontaxable for the enterprise income tax from the first year to the third year, and half levied from the fourth year to the sixth year. The subsidiaries Sichuan Energy Investment Commission East New Energy Development Co., Ltd., Guangan Energy Investment Western Environmental Protection Power Generation Co., Ltd, and Zigong Energy Investment Western Environmental Protection Power Generation Co., Ltd of Sichuan Energy Industry Investment Group Co., Ltd. enjoy the tax benefit in the fifth year. The subsidiary Sichuan Energy Investment Yanbian Wind Electricity Development Co., Ltd. of Sichuan Energy Industry Investment Group Co., Ltd. enjoys the tax benefit in the fourth year. The subsidiary Nanbu Chuan Water Investment Sewage Disposal Co., Ltd. of Sichuan Development Guo Run Environment Investment Co., Ltd. enjoys the tax benefit in the fourth year, Meishan Drainage Company enjoys the tax benefit in the second year, Yanan Drainage Co. enjoys the tax benefit in the second year, Zigong Sewage Disposal enjoys the tax benefit in the second year, and Qiongjing Drainage Co. enjoys the tax benefit in the second year.

(3). Sichuan Sunfor Light Co., Ltd., Zhongke Light (Changchun) Co., Ltd., and Nanjing Yinmao Lead-zinc Mining Co. Ltd. are subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. The three subsidiaries are
certified by Science and Technology Department, General Office of Finance, NationalTax Bureau, and Excise Office together of each province belonged as High Technology Enterprise, and the certification nu mber is GF201451000049, GR201522000039, and GR201532000513 respectively. These subsidiaries enj oyed an actual implemented EIT rate 15% according to related stipulations from Enterprise income tax la w of the People's Republic of China and Regulations EnterpriseIncome Tax Law People'sRepublic China.

(4). According to the Notice of the Ministry of Finance, General Administration of Customs and State Administration of Taxation Concerning Issues of Tax Policies Relating to Further Implementation of Western Development Strategy (Cai Shui [2011] No. 58), 15% preferential EIT rate are applied in the following companies:

The subsidiaries of Sichuan Energy Industry Investment Group Co., Ltd. which are Sichuan Gas Pipeline Investment Co., Ltd., Sichuan Puge Yongyu Water Electricity Development Co., Ltd., Sichuan Jinhui Electricity Co., Ltd., Tianquan Kangneng Hydropower Development Co., Ltd., Sichuan Energy Investment Base Co., Ltd., Sichuan Energy Xindu Distributed Energy Co., Ltd., Sichuan Zhaojue Electric Power Co., Ltd.,Luzhou Jialeyuan Electrical Development Co., Ltd., Hejiang Laolongkou Electric Power Co., Ltd., Sichuan Jinyu Financial Guarantee Co., Ltd., Sichuan Jinshi Leasing Co., Ltd., Sichuan Pingwu Electricity (Group) Co., Ltd., Shuifu Yangliutan Power Generation Co., Ltd., Sichuan Energy Investment Gaoxian Electricity Co., Ltd., Sichuan Energy Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Hongli Electricity Co., Ltd., Sichuan Energy Investment Yibin Electricity Co., Ltd., Sichuan Energy Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd., and Sichuan Jinwei Grid Construction Co., Ltd;

The subsidiaries of Sichuan Communications Investment Group Co.,Ltd. which are Sichuan Shuxia Industry Co., Ltd., Sichuan Chengyu Expressway Company Limited, Chengdu North Exit Expressway Co., Ltd., Sichuan Chengle Expressway Co., Ltd., Sichuan Shugong Road Engineering Testing Co., Ltd., Sichuan Intelligent Transportation System Management Co., Ltd.,Sichuan Chenglan Expressway Company Limited,Sichuan Zhongtong Expressway Investment Construction Development Co., Ltd., Sichuan Chuandong Expressway Co., Ltd.,Sichuan Chuanbei Expressway Co., Ltd.,Sichuan Chuanxi Expressway Co., Ltd.,Sichuan Chuanxi Investment Management Co., Ltd., Sichuan Energy Investment Zhongyou Energy Co., Ltd. Chengdu Gaolu Property Service Co., Ltd. Sichuan Chuanxi Expressway Greening Environment Development Co., Ltd., Southern Sichuan Expressway Development Co., Ltd.,Chengdu Ring Expressway (West) Co., Ltd., Chengdu Ring Expressway (East) Co., Ltd.,Sichuan Jialing River Fengyi Navigation and Hydropower Development Co., Ltd.,Sichuan Port and Channel Jialing River Jinsha Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Jinxi Navigation and

Hydropower Development Co., Ltd.,Sichuan Jialing River Xinzheng Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Cangxi Navigation and Hydropower Development Co., Ltd.,Sichuan Jialing River Tongzihao Navigation and Hydropower Development Co., Ltd.;

The subsidiaries of Sichuan Salt Company, which are Sichuan Shuncheng Salt Co., Ltd., Sichuan Finance Co., Ltd.; The subsidiaries of Sichuan Airlines Co., Ltd., which are Sichuan Airlines Chongqing Airport Catering Co., Ltd., Sichuan Airlines LSG Catering Co., Ltd., Sichuan aircraft maintenance engineering Co., Ltd.; The sub-subsidiary of Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd., Chengdu Wagott Biological Product Co., Ltd.; Sichuan Chengdu Integrated Timber Plant; Guochen Industrial Investment Fund Management Co., Ltd.; Southwest United Equity Exchange Co., Ltd; The subsidiaries of Sichuan Development Guo Run Environment Investment Co., Ltd. which are Mianzhu Guorun Water Supply Co., Ltd. and Mianzhu Guorun Water Draining Co., Ltd..

(5). Pursuant to article 4 of *The Circular (trial implementation) on Tibetan preferential policies and investment incentives to encourage investment* (Zang Zhengfa [2018] No.25) issued by People's government of Tibet Autonomous Region that from January 1, 2018 to December 31, 2020, enterprises which engage in *Catalogue of Encouraged Industries in Western Region* and the main revenue accounted for 70% above of the total revenue can implement the preferential tax rate of 15%. The enterprise satisfied the article 6 can exempted from the local share (6%) from January 1, 2018 to December 31, 2021. Pursuant to the policies above, the following enterprises implement the preferential EIT of 9%:

The subsidiary of Sichuan Jinding Industry and Financial Holdings Limited, a subsidiary company of Sichuan Energy Industry Investment Group Co., Ltd, which registered in the Lhasa Economic and Technological Development Zone: Tibet Jinxinghe Investment Co., Ltd, Tibet Ding Sheng Investment Management Co., Ltd ; The subsidiary Tibet Futian Co., Ltd of Sichuan Railway Investment Group Co., Ltd; The subsidiary Tibet Property Rights Trading center limited liability company of Southwest United Equity Exchange Co., Ltd.

(6). In accordance with the provisions of the Circular of the Ministry of Finance Concerning the Printing and Distribution of Measures for Collection of Funds for Repayment of Loans in Rural Power Grids (Cai Qi [2001] No. 820), Sichuan Hydropower Investment & Management Group Ltd., the subsidiary of Sichuan Energy Industry Investment Group Co., Ltd., is exempted from EIT on revenue from allowance granted by the financial department for funds for repayment of loans in rural power grids.

(7). *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2014] No. 84) issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to "for profit" cultural enterprises upon their conversion from "for-profit" cultural public institutions from 1

January 2014 to December 31 2018. *The Circular on the Continued Implementation of the Several Tax Policies for the Transformation of For-Profit Cultural Institutions into Enterprises in the Cultural System Reform* (Cai Shui [2019] No. 16) issued by MOF, China Tax and the Propaganda Department grants a block exemption for EIT to “for profit” cultural enterprises upon their conversion from “for-profit” cultural public institutions within 5 years. The enterprises which has completed the conversion before December 31, 2018 can further enjoy the exemption from EIT within 5 years since January 1, 2019.

Sichuan Publishing Group Co.,Ltd, Sichuan Xinhua Publishing Group Co., Ltd. and its subsidiary Beijing Shuchuan Winshare Publishing Co. , Sichuan Xinhua Online Co., Sichuan Culture Communications Co. and thirteen publishing house are exempted from EIT to December 31, 2023.

(8). According to the Agreement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income on August 21, 2006, the tax on interest income shall not exceed 7% of the total interest. According to the State Administration of Taxation (Announcement on issuing " Management measures of nonresident taxpayers enjoy tax treaty benefits”) [2015 No.60], nonresident taxpayers who are eligible for agreement treatment conditions, at the time of tax declaration or at the time of withholding declaration through the withholding agent, enjoying the treatment of agreements, and accepting follow-up management of the tax authorities, valid for three years. Therefore, the Sichuan Development International Holdings Company Limited submitted the relevant information to the Inland Revenue Department and received the tax bureau's response. For the reporting year, the income tax on interest income of Sichuan Development International Holdings Company Limited was accrued using the tax rate of 7%.

Interest income from mainland subsidiaries of Sichuan Development International Holdings Company Limited applies to 7% income tax rate in the mainland, pretax profits applies to 16.5% tax rate in Hong Kong.

(9). According to the EIT Benefits Management issued by Sichuan local taxation bureau (Announcement of Sichuan Local Taxation Bureau [2012] No.1), Sichuan Nongken Baihe Farming Development Co., Ltd. which is a subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. enjoys the income tax exemption preferential policy.

(10). According to the Notice of EIT Preferential Policy of Small Low-profit Companies issued by the Ministry of Finance and State Administration of Taxation of the People’s Republic China, For small low-profit companies, the income shall be reduced to 50% of the taxable income, and the enterprise income tax shall be paid at the rate of 20%. The sub-subsidiary of Sichuan State-Owned Assets Investment Administrator Co., Ltd. which is Chengdu Neuwied Trading Co., Ltd., The subsidiaries of Sichuan Railway

Investment Group Co., Ltd.which are Sichuan Jing Yi Da Engineering Testing Co., Ltd. and Sichuan Luhang Construction Engineering Co., Ltd., The subsidiary of Sichuan Development Asset Management Co., Ltd. which is Mengshan Sichuan Development Industry Investment Management Co., Ltd., and Chongqing Shixian Taibai Luyu Liquor Sales Co., Ltd. which is the subsidiary of Sichuan Development Liquor Investment Co., Ltd. are satisfied the preferential qualifications and enjoy the income tax preferential policy.

(11). The subsidiary Sichuan Jiuzhai Huanglong aviation engineering technology limited liability company of Sichuan Communications Investment Group Co.,Ltd. was certified as encouraged industry project for the state by the Sichuan provincial economic and Information Technology Commission (Chuan Jing Xin Industry Letter [2013] No. 205) (valid until December 31, 2020), the rate of enterprise income tax shall be subject to the announcement of the preferential tax rate of 15% in the Announcement No. seventh of 2012 by the State Administration of Taxation of the Sichuan.

4. Properties tax

It is calculated on the basis of 70% of the original value of the property at the rate of 1.2%; and leased properties is levied at 12% of rental income received.

5. Other taxes

They are paid according to the regulations of the State and the competent tax authorities in addition to the following circumstances.

(1). According to the Land Use Tax Exemption Provisions of Electricity Industry issued by State Administration of Taxation of the People's Republic China (Guo Shui Di [1989] No.13), After the registration and approval by the Local Taxation Bureau, the land for the transformer station of Sichuan Hydropower Investment Management Group Kaijiang Moon Electric Power Co., Ltd. which is the subsidiary of Sichuan Energy Investment Group Co., Ltd. is exempted from the land use tax.

VI. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. General information of second-level subsidiaries and major third-level subsidiaries included in consolidated financial statements during the year (unit: RMB '0000')

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
1	Sichuan Railway Investment Group Co., Ltd.	Railway Investment Group	2	1	Chengdu	Investment in and construction, operation and management of local railways and jointly operated railways in Sichuan	2,000,000.00	100.00	100.00	2,277,961.29	4
2	Sichuan Communications Investment Group Co., Ltd	Sichuan Communications	2	1	Chengdu	Management of investment in and construction and operation of major transportation infrastructure	3,500,000.00	100.00	100.00	6,496,944.32	4
3	Sichuan Energy Industry Investment Group Co., Ltd.	Energy Investment Group	2	1	Chengdu	Energy project investment and management	931,600.00	100.00	100.00	756,309.22	4
4	Sichuan Industrial Revitalization & Development Investment Fund Co., Ltd.	Industry Fund	2	1	Chengdu	Equity investment and relevant advisory services	613,502.10	49.39	49.39	303,000.00	1
5	Sichuan Xinhua Publishing Group Co., Ltd.	Xinhua Group	2	1	Chengdu	Book issuing and sales	59,382.20	100.00	100.00	285,625.86	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
6	Sichuan Airlines Group Co.,Ltd	Airlines Group	2	1	Chengdu	Domestic air transport and air service	21,500.00	100.00	100.00	53,187.64	4
7	Sichuan Salt Company	Salt Industry Corporation	2	1	Chengdu	Salt and salt products	17,676.60	100.00	100.00	88,969.69	4
8	Sichuan Publishing Group Co.,Ltd	Publishing Group	2	1	Chengdu	Book editing, publishing, issuing and printing	50,000.00	100.00	100.00	149,954.39	4
9	Sichuan Mineral Investment Group Co., Ltd	Mineral Investment Group	2	1	Chengdu	Project investment, commodity wholesale and retail	19,000.00	100.00	100.00	23,669.78	4
10	Sichuan State-Owned Assets Operation and Investment Administrator Co., Ltd.	State-Owned Assets Operation	2	1	Chengdu	Project investment and advisory services, supervision and management of operation of and gains from State-owned assets	50,000.00	100.00	100.00	212,342.71	4
11	Sichuan State-Owned Assets Investment Administrator Co., Ltd	State-Owned Assets Investment	2	1	Chengdu	Project investment, operation and management, etc.	11,264.00	100.00	100.00	40,972.91	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
12	Sichuan Provincial Nonferrous Technology Group Co., Ltd.	Nonferrous Technology	2	1	Chengdu	Metallic material, metallurgical research, etc.	2,880.00	100.00	100.00	1,882.08	4
13	Sichuan Chengdu Integrated Timber Plant	Timber Integrated Factory	2	1	Chengdu	Project investment, property management, etc.	5,018.00	100.00	100.00	2,293.94	4
14	Sichuan Rural and Urban Development Investment Co,. Ltd	Sichuan Rural Investment	2	1	Chengdu	Project investment, Assets management, Investment management and consultation	1,200,000.00	100.00	100.00	400,000.00	1
15	Sichuan Sanxin Investment Co., Ltd.	Sanxin Company	2	1	Chengdu	Project investment, assets management	150,500.00	100.00	100.00	150,500.00	1
16	Guochen Industrial Investment Fund Management Co., Ltd.	Guochen Fund	2	1	Chengdu	Equity (industry) investment fund management, etc.	10,000.00	49.50	49.50	4,826.21	1
17	Southwest United Equity Exchange Co., Ltd	Southwest Equity	2	1	Chengdu	Equity transaction etc.	10,000.00	50.00	50.00	5,000.00	1
18	Sichuan Development Equity Investment Fund Management Co., Ltd.	Equity Fund	2	1	Chengdu	Equity investment management and	10,000.00	100.00	100.00	10,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						relevant advisory services					
19	Sichuan Development International Holding Company Limited. (Originally named as Yieldsun Investment Company Limited)	Development International	2	1	Hong Kong	Project investment, Assets management, etc.; Overseas subsidiary.	89,413.27	100.00	100.00	89,802.33	1
20	Sichuan Chemical Tian-Rui Mining Co., Ltd	Tian-rui Mining	2	1	Chengdu	Exploration and sale of phosphate	115,000.00	100.00	100.00	135,352.88	3
21	Sichuan Water Environmental Protection Equity Investment Center (Limited Partnership)	Water-Environmental protection	2	1	Chengdu	Equity investment and consultative services for nonpublic shares exchange	25,667.00	77.78	77.78	11,200.00	1
22	Sichuan Water Investment Tianfu District Co., Ltd.	Development Tian-fu	2	1	Chengdu	Investment and Assets management, Water conservancy projects, urban and rural water supply and drainage,	10,000.00	60.00	60.00	6,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						aquaculture, water environment control					
23	Beichuan Development Investment Co., Ltd.	Beichuan Company	2	1	Beichuan Qiang Autonomos	Investment and asset management; enterprise management consulting;	1,000.00	100.00	100.00	3,000.00	1
24	Sichuan Development Guorun Environment Investment Co., Ltd.	Guorun Environment	2	1	Chengdu	water, sewage treatment and investment of environmental protection projects, design, construction, operation management, technical development, technical consultation and technical service	80,000.00	90.00	90.00	43,783.21	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
25	Sichuan Development Industry Lead Equity Investment Fund Management Co., Ltd.	Lead Equity	2	1	Chengdu	Asset management, investment advisory, financial advisory	10,000.00	100.00	100.00	5,000.00	1
26	Sichuan Guoyuan Agriculture Investment Co., Ltd.	Guoyuan Agriculture Investment	2	1	Xichang	Investment in modern agricultural projects, operation management, investment in land development	50,000.00	65.00	65.00	6,500.00	1
27	Sichuan Development Guorui Mining Investment Co., Ltd.	Guorui Mining	2	1	Chengdu	Mining investment and management, mineral product sales	80,000.00	100.00	100.00	23,185.00	1
28	Sichuan Development State Governance Investment Co.	Development State Governance	2	1	Chengdu	Infrastructure construction projects, rail transit projects, municipal road projects	100,000.00	60.00	60.00	21,000.00	1
29	Sichuan Development Tonghao City Investment Co., Ltd.	Development Tonghao	2	1	Chengdu	infrastructure construction projects, rail transit	150,000.00	90.91	90.91	9,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						projects,Smart city project investment and related business					
30	Sichuan Financial Holding Group Co.	Financial Holding	2	1	Chengdu	Project Investment, Asset Management, Investment Consultation, Financial Research	3,000,000.00	100.00	100.00	693,517.90	1
31	Sichuan Development Xingchuan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xingchuan Fund	2	1	Chengdu	Investment, consultation	501,000.00	99.90	99.90	50,533.33	1
32	Sichuan Development Guohong Modern Service Investment Co., Ltd.	Development Guohong	2	1	Chengdu	Investment. Asset management, Estate management, advertisement	40,000.00	100.00	100.00	40,000.00	1
33	Sichuan Development Xingzhan Industry Lead Stock Investment Fund Partnership (Limited Partnership)	Xinzhan Fund	2	1	Chengdu	Investment, consultation	321,000.00	99.04	99.04	12,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
34	Sichuan Development Guohui Microcredit Co.	Guohui Microcredit	2	2	Chengdu	Loan, Equity Investment	50,000.00	100.00	100.00	5,000.00	1
35	Tianfu(Sichuan) Credit Enhancement Co.	Credit Enhancement Co.	2	1	Chengdu	Credit Enhancement, Consultation,	400,000.00	70.00	70.00	280,000.00	1
36	Chengdu Xinzhu Road and Bridge Machinery Co., Ltd.	Xinzhu Co.	2	1	Chengdu	Design and construction for mental bridge and bridge material	65,473.30	15.95	15.95	82,716.61	3
37	Sichuan Ouyalutai Business Co.	Ouya Co.	2	1	Chengdu	Trade agency, goods freight, import and export of goods and technology, warehouse, new energy development	10,000.00	85.00	85.00	8,500.00	1
38	Sichuan Development Investment, Construction of Emerging Industrial Park Co	Industrial Park	2	1	Chengdu	Construction , investment, operation, management of industrial Park; asset management, real estate	90,000.00	100.00	100.00	3,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
39	Beijing Chuanfa Investment and management Co.	Beijing Chuanfa	2	1	Beijing	Consulting, Hotel management, financial advisory, property management	50,000.00	100.00	100.00	18,250.00	1
40	Sichuan Development Big Data Investment Co. Ltd.	Big Data	2	1	Chengdu	Investment management, Investment consulting, Date processing and storage, information system integration service	200,000.00	100.00	100.00	2,500.00	1
41	Sichuan Financial Guaranty Co.	Financial Guaranty	3	2	Chengdu	Financial Guaranty	588,198.85	99.77	99.77	349,000.00	1
42	Sichuan Development Asset Management Co.	Asset Management	3	1	Chengdu	Purchase NPA, Investment and Asset Management	300,000.00	95.00	95.00	285,000.00	1
43	Sichuan-Hydropower-Investment & Management Group Ltd .	Hydropower Group	3	1	Chengdu	Investment in and operation of power grids	282,818.00	100.00	100.00	566,845.84	4

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
44	Sichuan Expressway Construction and Development Corporation	Sichuan Expressway Company	3	1	Chengdu	Road construction and development and operation	944,127.68	100.00	100.00	4,500,252.77	4
45	Sichuan Port and Channel Development Co., Ltd.	Port and Channel Company	3	1	Chengdu	Hydropower, inland port construction and operation and transportation	360,000.00	100.00	100.00	623,616.36	4
46	Xinhua Winshare Publishing and Media Co., Ltd	Xinhua Winshare	3	1	Chengdu	Book issuing and sales, commodity wholesale and retail	123,384.10	49.11	49.11	96,788.30	4
47	Sichuan Road and Bridge Co., Ltd.	Road and Bridge Company	3	1	Chengdu	Road and bridge construction	361,052.55	43.94	43.94	187,486.60	4
48	Sichuan ChengYu Expressway Company Limited	Cheng-Yu Expressway	3	1	Chengdu	Road construction and development	305,806.00	33.87	33.87	247,365.18	4
49	Sichuan Tibet Expressway Co., Ltd.	Tibet Expressway	3	1	Chengdu	Road construction and development	10,000.00	100.00	100.00	1,754,970.00	1
50	Sichuan Jiuzhaihuanglong Airport Co., Ltd.	Huanglong Airport	3	1	Chengdu	Construction and operation of Jiuzhaihuanglong airport	95,502.64	66.13	66.13	63,939.50	2

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
51	Sichuan Development Land Assets Operation and Management Co., Ltd.	Land Company	3	1	Chengdu	Arrangement and development of land assets	249,128.05	100.00	100.00	250,000.00	1
52	Sichuan Development Cultural Tourism Equity Investment Funds Partnership (Limited company)	Cultural Funds	3	1	Chengdu	Equity investment and consultative services for nonpublic shares exchange	31,000.00	83.87	83.87	26,000.00	1
53	Sichuan Development Ruixin Investment Co., Ltd.	Ruixin Investment	3	1	Chengdu	Project Investment, land arrangement	60,000.00	51.00	51.00	6,120.00	1
54	Sichuan Runheng Development Equity Investment Fund Management Co., Ltd.	Runheng Fund	2	1	Chengdu	Entrusted with the management of equity investment enterprises, engaged in investment management and related advisory services	2,000.00	80.00	80.00	1,600.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
55	Nanjing Yinmao Lead and Zinc Mining Co., Ltd.	Rui-Xin Investment	3	1	Chengdu	Project investment and Assets Arrangement	5,644.00	80.00	80.00	94,161.46	3
56	Sichuan Chemical Company Limited	Sichuan Chemical	3	1	Chengdu	Fertilizer manufacturing, basic chemical raw materials manufacturing and marketing; production of food additives; road transport operations; hazardous chemicals management	127,000.00	30.30	30.30	124,114.72	3
57	Sichuan Shuxi Investment Co.	Shuxi	3	1	Chengdu	Equity Investment and related advisory, Project investment, asset management, investment	1,000.00	100.00	100.00	1,000.00	1

No.	Name	Abbreviation	Level	Business type	Place of registration	Nature of business	Share capital	Percentage of shareholding (%)	Percentage of voting right(%)	Amount of investment	Mode of acquisition
						information advisory					
58	Sichuan Shuyu Mining Investment Co.	Shuyu Mining	3	1	Chengdu	Investment and management of mining industry, sales of mineral products	1,000.00	90.86	90.86	908.60	
59	Sichuan Guoke Asset Mangement Co.	Guoke	3	1	Mianyang	Asset management, asset investment, other services related to capital market, enterprise management, business service	25,559.80	60.00	60.00	15,335.88	

Note 1: Business type: 1. domestic non-financial subsidiary; 2. domestic financial subsidiary; 3. Overseas subsidiary; 4. institution; 5. infrastructure construction subsidiary.

Mode of acquisition: 1. establishment by investment; 2. business combination under common control; 3. business combination not under common control; 4. company with contribution made by the provincial government in accordance with Chuan Fu Han [2008] No. 330 document.

Note 2: Where the proportion of shareholding is inconsistent with the voting power percentage, it shall be deemed as a result of combination of non-wholly-owned shareholding subsidiaries.

2. Companies holding less than half of voting rights which are included in the consolidation (unit: RMB '0000')

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
1	Sichuan Chengyu Expressway Co., Ltd.	33.87	33.87	305,806.00	247,365.18	3	Substantive control
2	Sichuan Transportation Investment Jiayun New Energy Co., Ltd.	39.00	39.00	5,000.00	1,950.00	5	Substantive control
3	Sichuan Sunfor Light Co.,Ltd. (hereinafter refers to Sunfor Light)	38.59	38.59	12,457.00	65,759.76	3	Substantive control
4	Sichuan New Energy Power Co., Ltd.	27.69	27.69	127,000.00	106,631.96	3	Substantive control
5	Sichuan Development Financial Leasing Co., Ltd.	40.00	40.00	30,000.00	12,389.55	3	Substantive control
6	Sichuan Energy Investment Co.	36.71	36.71	80,555.77	62,860.75	4	Substantive control
7	Tianjin Jingteng Leasing Co.	49.00	49.00	10.00	4.90	6	Substantive control
8	Sichuan Cultural Industry Equity Investment Fund Partnership (Limited Partnership)	12.32	12.32	81,200.00	10,000.00	3	Substantive control

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Share capital	Amount of investment	Level	Reason for consolidating
9	Sichuan Road and Bridge Co., Ltd.	41.59	41.59	361,052.55	187,486.60	3	Substantive control
10	Sichuan Chenglan Railway Investment Co., Ltd.	44.00	44.00	213,000.00	118,800.00	3	Substantive control
11	Sichuan Xingshu Railway Investment Co., Ltd	31.78	31.78	343,000.00	343,541.99	3	Substantive control
12	Sichuan Sino-Railway Tietou Rail Transport Co.	45.00	45.00	10,000.00	4,500.00	3	Substantive control
13	Sichuan Chengyu Expressway Co.	34.35	34.35	305,806.00	247,365.18	3	Substantive control
14	Sichuan Jiaotou Jiayun New Energy Co.	39.00	39.00	5,000.00	1,950.00	5	Substantive control
15	Sichuan Development Xincheng Equity Investment Fund Partnership (Limited Partnership)	19.95	20.21	376,000.00	75,000.00	3	Substantive control
16	Chuanghang Chongqing Catering Service Co.	49.00	60.00	2,200.00	1,078.00	3	Substantive control
17	Sichuan Youse New Material Co.	37.69	37.69	22,650.71	8,566.05	3	Substantive control
18	Sichuan Yintai Co.	34.35	34.35	3,260.08	695.21	3	Substantive control
19	Chengdu Wenjiang Xingwen miciro-credit Co.	40.00	40.00	30,000.00	12,000.00	3	Substantive control
20	Xinzhu Co.	15.95	15.95	65,473.39	82,716.61	2	Substantive control

3. Companies holding more than half of voting rights but not included in the consolidation (unit: RMB

‘0000’)

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Registered capital	Amount of investment	Level	Reasons for excluding from consolidating
1	Sichuan Publishing Foreign Trade Company	100.00	100.00	70.73	70.73	3	Liquidation declared
2	Sichuan Xinhua Travel Agency Co., Ltd.	100.00	100.00	30.00	25.00	3	Liquidation declared
3	Sichuan Airlines Property Management Co., Ltd.	100.00	100.00	60.00	60.00	3	Entrusted operation, uncontrolled
4	Sichuan Daqi Assets Merger and Acquisition Advisory Co., Ltd.	51.00	51.00	20.00	10.20	3	To be liquidated and cancelled
5	Sichuan International Cooperation Co., Ltd. *1	51.12	51.12	16,430.86	1,500.00	3	Being transferred to other companies *1
6	Sichuan Guotou Assets Custody Company	100.00	100.00	100.00	100.00	3	Subject to direct supervision of the Provincial State- Owned Assets Supervision & Administration Commission
7	Qinghai Yulong Mining Co., Ltd.	100.00	100.00	500.00	6,336.14	4	Operation discontinued
8	Sichuan Lujie Information Engineering Co., Ltd.	60.00	60.00	200.00	120.00	3	Operation discontinued
9	Leshan Shanwan Hotel Co., Ltd	88.00	88.00	1,000.00	2,984.26	4	Operation discontinued, and the Business license has been revoked.

No.	Name	Percentage of Shareholding (%)	Percentage of voting right (%)	Registered capital	Amount of investment	Level	Reasons for excluding from consolidating
10	Yibin Three rivers Port Construction and Development Co.	90.25	90.25	300.00	1,682.52	3	Liquidation period
11	Chongqing Jinfan Travel Agency	100.00	100.00	40.00	40.00	3	Operation discontinued
12	Deyang Zhengxing Glassfiber Investment Center (Limited Partnership)	81.63	81.63	6,125.00	5,000.00	3	No substantive control
13	SichuanWudu Power Station Co.	60.00	40.00	5,000.00	31,593.43	3	No substantive control
14	Beijing Huading New Energy Equity Investment Fund (limited Partnership)	97.08	97.08	—	406,200.00	3	No substantive control

*1. Sichuan International Cooperation Co., Ltd. (hereinafter referred to as ‘‘Sichuan International’’), the subsidiary of State-Owned Assets Investment, is subject to huge debts and joint cautionary obligation due to the influence of cases for several years and has been seriously insolvent. State-Owned Assets Investment plans to transfer it externally and no longer included Sichuan International in the consolidation from 2010. The Group has, based on the principle of prudence, made full provision for impairment on equity and debt investment of the Group in Sichuan International.

4. When there is any inconsistency on the accounting policies adopted between subsidiaries and the Group, the approach adopted when preparing consolidated financial statements

(1) Inclusion of overseas subsidiaries, capital construction units and institutions in the consolidation and method of consolidation

If an overseas subsidiary should be included in the consolidation in accordance with the Accounting Standards for Business Enterprises, the Group translates its financial statements into those denominated in RMB according to Note III (8) ‘‘Method of Accounting and Translation of Foreign Currency Business’’, and takes the RMB financial statements translated as the basis of preparation of the consolidated financial statements. If there is any inconsistency on the accounting year between an overseas subsidiary and the Group, the Group requires such overseas subsidiary to otherwise prepare supplementary financial statements according to the accounting year of the Group as the basis of preparation of consolidated financial statements.

(2) Special accounting policies of subsidiaries

1) Micro loans company

Provision for impairment of loan, including: general provision, special provision and specific provision. General provision is provided in accordance with certain ratio of the loan balance, and is provided for unidentified potential loss; Special provision is made in accordance with Guidance on Classification of Risk on Loan. Provision is made according to the loss degree for each loan after the classification of loan risk, and the provision is provided for special loss; Specific provision is made in accordance the distribution of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance and is used for the potential loss caused by systematic risk.

Provision for entrusted loan loss is made in accordance with principles of 5 degree classification of loan; provision is made based on the judgment of systematic risk of the entrusted loan.

Provision for impairment of loan and escrowed loan method:

Category	**Level**	**Provision ratio**	**Basis for provision**
(1)General provisions		1.00%	Loan balance as at each end of quarter
(2) Special provisions			At the end of each quarter, each loan is classified in accordance with the principles of 5 degree of classification of loan and provision is made according to corresponding provision ratio
Normal	Normal degree one	0.00%	
	Normal degree two	0.00%	
	Normal degree three	0.50%	
Concern	Concern degree one	1.00%	
	Concern degree two	1.50%	
	Concern degree three	2.00%	
Sub-degree	Sub-degree one	20.00%	
	Sub-degree two	25.00%	
Suspicious		50.00%	
Loss		100.00%	
(3) Specific provisions	provision is made in accordance the distribution of industries the loan related to, macro-economic environment and other factors, provision is made based on certain ration of loan balance as at the year end and is used for the potential loss caused by systematic risk		

2) Financial Guaranty Company

The unearned premium reserve and guarantee compensation reserve are withheld according to Interim Measures for the Administration of Financing Guarantee Companies ([2010]No. 3) jointly issued by China Banking Regulatory Commission ,National Development and Reform Commission, Ministry of Industry and Information Technology of the People's Republic of China, Ministry of Finance, Ministry of Commerce, Bank of China and State Administration for Industry & Commerce of the Peoples' Republic of China.

The unearned premium reserve: 50% of premium income for the year.

The guarantee compensation reserve: 1% of guarantee liability balance as at the end of the year. If the accumulated guarantee compensation reserve reached 10% of the guarantee balance, then difference amount method is used for the provision of guarantee compensation reserve.

5. Details of second-level entities newly included in the consolidation during the year

Name	Percentage of shareholding (%)	Net Assets As of the end of the year	Net Profit for the year	Notes
Xinzhu Co.	15.95%	2,479,790,343.73	28,104,328.10	Consolidated
Guoke	60.00%	-1,756,412,650.07	108,757,165.99	Consolidated
Ouya Co.	85.00	99,951,314.63	-48,685.37	Newly-established
Industrial Park	100.00	27,047,193.43	-2,952,806.57	Newly-established

6. Details of second-level entities not to be included in the consolidation during the year

Name	Place of registration	Business type	Percentage of shareholding(%)	Percentage of voting right (%)	Reasons for excluding from consolidating
Sichuan Development Wine Investment Co.	Chengdu	Investment and sales of wine	42.00	42.00	Has been sold

7. Details of business combination under the common control during the year

None

8. Details of major business combination not under the common control during the year (in 10 thousand)

Name	Purchase date	Carrying Amount (0000)	Fair value of Recognized net assets (0000)	Transaction considera	Goodwill/non-operating income

			Amount	Recognition basis	tions (0000)	Amount	Confirmation basis
Xinzhu Co.	2018.08.31	247,979.03	104,835.30	Appraisal	82,716.61	22,118.69	Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as non-operating income

9. Counter purchase during the year.

None

10. Merger by amalgamation during the year

None

VII. EXPLANATION OF MAJOR ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

Among the data of financial statements disclosed below, except specifically indicated, ‘‘beginning of the year’’ refers to January 1, 2018, ‘‘the end of the year’’ refers to December 31, 2018, ‘‘the year’’ refers to be from January 1, 2018 to December 31, 2018, ‘‘previous year’’ refers to be from January 1, 2017 to December 31, 2017 and the currency unit is RMB except otherwise indicated.

1. Cash and cash equivalents

(1) Balance of Cash and cash equivalents

Item	Ending Balance	Beginning Balance
Cash on hand	29,072,445.63	40,591,017.31
Bank deposit	111,106,124,810.22	90,652,080,737.63
Other monetary funds	6,064,239,565.47	3,920,656,441.66
Total	**117,199,436,821.32**	**94,613,328,196.60**

(2) Restricted use at the end of this year

Item	Amount	Reason for restricted use
Bank deposit	41,871.83	Long-term suspension account
Bank deposit	198,355,024.39	Notes payable and deposit certificate pledged for loan
Bank deposit	911,355,785.48	Notes guarantee, letter guarantee, and credit guarantee etc.
Bank deposit	26,352,558.25	
Other monetary funds	476,047,650.01	Notes payable and deposit certificate pledged for loan
Other monetary funds	298,601,119.21	Notes guarantee, letter guarantee, and credit guarantee etc.
Other monetary funds	2,458,274.00	Under supervised special fund
Other monetary funds	129,506,461.07	Structured deposits that cannot be redeemed in advance for more than three months
Total	**2,042,718,744.24**	**—**

2. Financial asset at fair value through profit or loss

Item	Fair value as of the end of the year	Fair value as of the beginning of the year
Trading financial assets	**2,321,784,473.16**	**4,292,035,247.99**
Wherein: Debt instrument investment	13,500,031.48	3,384,280.25
Equity instrument investment *1	2,159,785,041.78	2,360,312,844.99
Others	148,499,399.90	1,928,338,122.75
Financial assets designated to be measured at fair value with changes in fair value recognized in profit or loss	**879,773,899.21**	**585,825,263.32**
Wherein: Debt instrument investment		
Equity instrument y investment	21,283,189.79	78,711,463.32
Others*2	858,490,709.42	507,113,800.00
Total	**3,201,558,372.37**	**4,877,860,511.31**

*1The financial assets held this year valued at fair value and subject to changes in current profits and losses are mainly shares of listed companies held by Sanxin Company and Hydropower Group, the closing price of the balance sheet date is calculated as the fair value.

*2 Mainly bad debt package purchased by Asset Management Co, a subsidiary of Financial Holding Co.

3. Notes receivable & accounts receivables

Items	Closing balance	Opening balance
Notes receivables	737,921,953.99	674,817,627.55
Accounts receivables	21,413,377,440.61	14,700,727,554.97
Total	**22,151,299,394.60**	**15,375,545,182.52**

1. Notes receivable

(1) Notes receivable

Category	Ending Balance	Beginning Balance
Bank acceptance notes	552,223,142.19	612,523,705.50
Commercial acceptance notes	185,698,811.80	62,293,922.05
Total	**737,921,953.99**	**674,817,627.55**

(2) Notes receivable which have been pledged but not yet due at the end of the period

Category	Pledged amount at the end of the period
Bank acceptance notes	
Commercial acceptance notes	14,070,000.00
Total	**14,070,000.00**

(3) Notes receivable which have been endorsed or discounted but not yet due at the end of the period

Category	Amount whose recognition is terminated at the end of the period
Bank acceptance notes	998,060,024.23
Commercial acceptance notes	133,404,288.37
Total	**1,131,464,312.60**

2. Accounts receivable

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Significant individual receivables with bad debt provision made on individual basis	927,698,988.06	195,397,814.26	323,968,329.38	

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Accounts receivable for which provision for bad debts is made by combination	——	——	——	——
Receivable toll revenue combination	63,101,526.74		847,232,306.69	
Receivable related party combination	142,064,403.14	1,291,032.32	122,019,717.18	502,390.34
Aging combination	17,886,437,147.81	994,741,195.83	11,809,959,556.09	620,030,999.29
Credit of trading parties combination	2,354,750,435.30	-	663,870,704.65	
Subtotal	**20,446,353,512.99**	**996,032,228.15**	**13,443,082,284.61**	**620,533,389.63**
Insignificant individual receivables but with bad debt provision made on individual basis	1,795,410,367.76	564,655,385.79	1,897,571,557.30	343,361,226.69
Total	**23,169,462,868.81**	**1,756,085,428.20**	**15,664,622,171.29**	**963,894,616.32**

(1) Receivables with bad debt provision made on aging combinations basis

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within one year	15,275,485,718.53	214,780,865.97	9,975,313,440.51	134,020,524.38
1-2years	1,496,594,808.18	173,779,475.81	1,037,977,748.71	109,447,222.60
2-3 years	396,821,861.75	108,727,530.99	369,634,954.01	81,111,143.77
3-4 years	374,149,544.24	208,215,644.75	224,479,197.30	101,632,096.30
4-5 years	150,079,220.81	106,413,728.53	14,029,948.27	9,854,466.08
Over 5 years	193,305,994.30	182,823,949.78	188,524,267.29	183,965,546.16
Total	**17,886,437,147.81**	**994,741,195.83**	**11,809,959,556.09**	**620,030,999.29**

(2) The detail of account receivables within related parties' group was in Note XI. 3

(3) Significant individual receivables with bad debt provision made on individual basis

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Sichuan Xiangling Industrial Co.	268,084,154.06	192,321,554.06	71.74	Litigation and exist guaranty, but some of money has the risk of unrecovery
Sichuan Engineering Co. of Chinapower	216,096,000.00	-	-	No risk of impairment

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Ningxia Baota Energy and Chemical Industry Co.	174,346,020.00	1,743,460.20	1.00	Present value of future cash flow lower than the book value
Suining Jinqiao Administration Commission	135,892,814.00	-	-	No risk of impairment
Ningxia Lingwu Baota Logistics Co.	133,280,000.00	1,332,800.00	1.00	Present value of future cash flow lower than the book value
Total	**927,698,988.06**	**195,397,814.26**	—	

(4) Major individual receivables that bad debt provision made on individual basis with the single amount above RMB 10 million at the end of this year.

Debtor	Book balance	Amount of provision	Percentage of provision (%)	Reason for of basis of provision
Shanghai Zhongzi International Trading Co.	97,864,955.91	489,324.68	0.50	Based on expected loss
Sichuan Guoxian International Trading Co.	82,063,694.50	16,412,738.90	20.00	Under litigation
Yibin Urban Public Transportation Co.	80,054,400.00	800,544.00	1.00	Based on expected loss
Fujian Funeng Electric Fuel Co.	68,591,260.00	54,873,008.00	80.00	Under litigation, and the receivables have the risk of unrecovery
Sichuan Xingding Electric Power Co.	65,242,913.41	45,771,589.56	70.16	Exist payables to offset
Taiqing Construction Materials Co.	22,700,000.00	-	-	No impairment
Jianyang Transport Bureau-Jianyang Engineering and Command office	21,041,666.67	-	-	Based on expected loss
Sichuan Linhai Transport Industry Co.	17,868,528.41	7,730,791.18	43.26	Based on expected loss
Luzhou Xinglu Pitch Co. sales branch	16,679,125.50	1,667,912.55	10.00	Based on the age
Sichuan Junengda Construction Materials Co.	15,633,874.50	1,563,387.45	10.00	Based on the age
Shanghai Yunbin Trading Co.	14,187,500.00	14,187,500.00	100.00	Uncollectible
Huake Technology (Hong Kong) Co.	13,305,609.18	66,528.05	0.50	Significant amount
CCAC	13,000,000.00	5,295,876.80	40.74	Recoverable amount by individual test
Sichuan Wanxin Hydraulic and Hydroelectric Engineering Co	12,656,704.22	12,656,704.22	100.00	Under the litigation
Sichuan Deyang Special New Material Co.	12,562,240.47	10,049,792.38	80.00	Bankruptcy liquidation
China Nuclear Industry Zhongyuan Construction Co.	12,425,000.00	-	-	No risk of impairment
Chiyu Logistics Co., Ltd.	11,631,502.23	2,907,875.55	25.00	Recoverable amount by individual test
Mianyang Zizhou Real Estate Co.	10,526,980.45	5,263,463.23	50.00	Recoverable amount by individual test
Gaoxian Xinli Chemical Industrial Co.	10,021,508.99	10,021,508.99	100.00	Uncollectible
Xingwen Zizhong Mining Co.	18,937,961.00	10,237,587.34	54.06	Based on expected loss
Xingwen Five-star Mining Co.	26,360,067.97	10,237,587.34	38.84	Based on expected loss
Leshan Yanlin Construction Co.	11,000,000.00	5,023,214.15	45.67	Based on expected loss
Chengdu Juye Garden Greening Engineering Co., Ltd.	15,476,001.49	1,842,068.77	11.90	Based on expected loss
Sichuan Shengmei Household Furnishing Co.	12,222,983.34	4,932,070.21	40.35	Based on expected loss
Guanghan Jiutian Polymer Materials Company	28,412,802.07	18,381,271.24	64.69	Based on expected loss

Guangan Ruifengda Trading Co.	17,494,244.62	12,720,974.93	72.72	Based on expected loss
Rongxian Peihua Trading Co.	15,546,459.95	10,202,255.43	65.62	Based on expected loss
Nanchong Tiantangniao Paint Co.,Ltd.	16,236,122.80	8,162,959.07	50.28	Based on expected loss
Mianyang Guangyou Network Technology Co., Ltd.	40,460,090.79	40,460,090.79	100.00	Based on expected loss
Meishan Xinhua Paper Printing Co., Ltd.	15,000,000.00	4,942,368.05	32.95	Based on expected loss
Guangan Wanchun Trading Co.	23,160,158.94	2,989,789.60	12.91	Based on expected loss
Sichuan Dongming Trading Co.	22,654,039.37	4,426,756.55	19.54	Based on expected loss
Chengdu Rongxin Metal Investment Co.,Ltd.	16,194,507.75	3,672,600.80	22.68	Based on expected loss
Chengdu Pengyue Furniture Co.	24,037,839.28	3,124,020.90	13.00	Based on expected loss
Yibin Hongloumeng Jinchai Distillery Marketing Co.,Ltd.	10,391,757.17	1,350,540.13	13.00	Based on expected loss
Leshan Zhiyuan Highland Mining Co., Ltd	13,892,604.70	5,234,480.43	37.68	Based on expected loss
Wangguoyang	10,433,654.87	3,493,155.94	33.48	Based on expected loss
Mianyang Ruifeng Construction Co.	20,000,000.00	3,926,059.66	19.63	Based on expected loss
Sichuan Guangjin Ronggu Equipment Co.	19,751,376.66		-	Based on expected loss
Chengdu Jiulong Trading Chains Co.	15,302,611.17	982,802.10	6.42	Based on expected loss
Pangzhihua Deyong Industry Trading Co, Ltd.	15,195,000.00	13,763,019.09	90.58	Based on expected loss
Sichuan Guangyou Risheng Integrated Marketing Diffusion Co.,Ltd.	10,222,086.78	10,222,086.78	100.00	Based on expected loss
Chengdu Huite Feeds Co.	14,727,038.73	6,026,665.07	40.92	Based on expected loss
Sichuan Yunxiang Printing Industrial Co.	16,547,358.41	12,155,844.80	73.46	Based on expected loss
Sichuan Yijin Mining Co.	10,292,967.19	4,990,089.44	48.48	Based on expected loss
Sichuan Xingming Glassware Co.	15,851,172.44	2,060,060.12	13.00	Based on expected loss
Chengdu Teante Trading Co	10,065,378.47	4,510,614.03	44.81	Based on expected loss
Chengdu Xinliji Electromechanical Co.	10,868,312.15	1,412,474.47	13.00	Based on expected loss
Chengdu Paier Express Delivery Co.	13,211,943.19	1,634,405.38	12.37	Based on expected loss
Suining Yuao Textile Co.	10,323,623.06	1,128,364.22	10.93	Based on expected loss
Sichuan Kunnun Textile Co.	13,003,182.12	1,753,531.51	13.49	Based on expected loss
Chengdu Jinzhu Automobile Accessories Manufacturing Co.	20,236,414.61	16,738,864.40	82.72	Based on expected loss
Sichuan Guangrong Technology Co.	10,195,152.22	-	-	Based on expected loss
Sichuan Jintengda Garments Co.	13,032,000.00	6,007,469.11	46.10	Based on expected loss
Sichuan Yibin Blasting Engineering Co.,Ltd.	10,508,844.57	7,028,695.10	66.88	Based on expected loss
Yibin Junlian Dingxin Electromechanical Equipment Co.	10,526,647.59	7,046,498.12	66.94	Based on expected loss

Luzhou Huashang Fashion Company	11,324,155.06	6,891,314.68	60.86	Based on expected loss
Others(Total of entities lower than 10 million)	588,256,342.79	115,184,190.50	19.58	Based on expected loss
Total	**1,795,410,367.76**	**564,655,385.79**		

(5) Reversal of bad debts provision of the year

None

(6)Written off bad debts provisions this year

None

(7)The top 5 account receivables in order of the ending balance of debtors

Debtor	Book balance	Percentage of total accounts receivable（%）	Bad debt provision
State Grid Sichuan Electric Power Co.	518,609,813.64	2.24	
CHINA NATIONAL FOREST PRODUCTS COMPANY LIMITED	372,567,546.36	1.61	
Maisheng Industrial (Hongkong) Co.	317,779,939.73	1.37	
Bureau of Transport of Bazhong Enyang	286,226,407.31	1.24	
Sichuan Xiangling Industrial Co.	268,084,154.06	1.16	192,321,554.06

4. Prepayment

(1) Age of prepayment

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year(inclusive)	6,412,150,565.01	15,098,446.14	5,544,062,199.40	58,453.68
1－2years(including 2 years)	785,470,510.52	17,906.40	734,225,317.76	622,669.93
2－3years(including 3 years)	364,911,597.80	1,620,868.01	469,847,999.52	44,446,613.19
Over 3 years	606,488,829.71	75,828,276.13	682,101,846.89	3,938,080.77
Total	**8,169,021,503.04**	**92,565,496.68**	**7,430,237,363.57**	**49,065,817.57**

(2) Large-amount prepayment with an age of over 1 year

Company Name	Balance	Age	Cause of unsettlement
Center of Land and Resource Reserve of Wengan	220,681,955.42	1-3 years	Prepayment for construction land
Construction and coordinating Team of “Xintian Line” project	50,450,179.00	1-3 years	Unqualified the conditions of settlement

Company Name	Balance	Age	Cause of unsettlement
Sichuan Chemical Holding (Group) Co., Ltd.	50,000,000.00	3 years	Prepayment for share equity
Sichuan Tianbao Construction Co.	27,515,411.55	1-2 years	Project is unfinished
Lijiang Dianmian Jade Co.	22,100,000.00	5 years	Recognized full amount of impairment
Sinosteel Sichuan Co.	20,669,684.64	1-2 years	Recognized full amounts of bad debts
Shanghai Shize Industrial Development Co.	20,037,600.00	1-2 years	Recognized full amounts of bad debts
Ziyang Resource Hydro Group Co.	19,160,135.60	1-2 years	Unqualified the conditions of settlement
Tongjiang Wanxin Investment and Operation Co.	18,000,000.00	1-2 years	Unqualified the conditions of settlement
Chongqing Yingte Construction Furnished Design Co.	15,885,216.15	1-2 years	Unqualified the conditions of settlement
Sichuan Xinjing Industrial Park Administrative Committee	14,100,000.00	Over 3 years	Prepayment of land deposit and the asset is not transferred
Sinohydro Bureau 3 Co., Ltd.	13,000,000.00	1-2 years	Unqualified the conditions of settlement
China Energy Engineering Group Guangxi Electric Power Design Institute Co., Ltd.	12,882,365.65	1-2 years	Unqualified the conditions of settlement
Sichuang Huaying South Transmission and Transformation Co., Ltd.	12,700,000.00	2-3 years	Unqualified the conditions of settlement
Deyang Xinkaiji Real Estate Co.	11,474,917.14	1-2 years	Unqualified the conditions of settlement
Sichuan Jianneng Electric Powe Design Co.	10,642,920.00	1-2 years	Unqualified the conditions of settlement
Chengdu Heyifengmao Trading Co.	10,610,160.00	3-4 years	Recognized full amounts of bad debts
Total	**549,910,545.15**		

5. Other receivables

Items	Closing balance	Opening balance
Interest receivables	732,838,801.09	479,451,773.31
Dividend receivables	143,822,891.99	32,262,252.32
Other receivables	35,108,292,214.29	29,981,272,659.14
Total	**35,984,953,907.37**	**30,492,986,684.77**

1. Interest receivables

(1) Category of interest receivables

Items	Closing balance	Opening balance
Interest on time deposits	43,325,287.49	46,753,167.21

Interest on pledge deposits	175,756,695.17	183,132,379.72
Entrusted loan	431,191,100.04	61,949,547.59
Troubled assets package interest		8,379,510.01
Bond interest	23,596,095.17	43,553,223.17
Micro-loan interest	49,590,870.52	56,993,478.04
Others	9,378,752.70	78,690,467.57
Total	**732,838,801.09**	**479,451,773.31**

(2) Significant overdue interest

Items	Closing balance	Overdue time	Reasons of overdue	Judgement basis of whether the impairment shall be recognized
Sichuan Ruonan Pasta Industry Co.	1,764,502.26	2014-12-31	Hard to pay because of financial troubles	Yes, low collectible possibility
Chengdu Huagaoruitian Technology Co.	5,577,804.76	2015-12-31	Hard to pay because of financial troubles	Yes, can hardly be collected fully
Sichuan Longdu Tea (Group) Co.	1,274,060.47	2016-12-31	Hard to pay because of financial troubles	Yes, low collectible possibility
Zhongshi Chengdu Food Co.	519,166.67	2014-12-31	Hard to pay because of financial troubles	Yes, low collectible possibility
Chengdu Xingjiu Agriculture and Forestry Industry Co.	278,122.73	2015-3-16	Hard to pay because of financial troubles	Yes, low collectible possibility
Total	**9,413,656.89**	—	—	—

2. Dividend receivables

Items	Closing Balance	Beginning Balance
Dividend receivables within 1 year	**98,116,267.18**	**12,873,470.83**
including：Sichuan Jinyangshanmugou Electric power Development	600,000.00	500,000.00
Jiulong Fuchuan Hydropower Development Co.	640,000.00	640,000.00
Guangyuan Xingchcan Jinya Enterprise Management Center (limited partnership)	7,688,000.00	
Sichuan Hare Industry Co.		33,470.83
Chuancai Securities	78,355,996.00	11,700,000.00
Sichuan Hongji Engineering Construction Co.	700,000.00	
Yibin Emerging Industry Development Investment Fund Management Co.	560,000.00	

Items	Closing Balance	Beginning Balance
Sichuan Xinyuan Mining Co.	1,800,000.00	
Sichuan Nanbu Hongyanzi Electric Power Co.	7,772,271.18	
Dividend receivables over 1 year	**45,706,624.81**	**19,388,781.49**
including：Xiangcheng Mayi River Hydro-electricity Resource Development Co.	4,048,502.93	4,048,502.93
Sichuan Jinyang Shanmugou Hydro-electricity Resource Development Co.	1,000,000.00	500,000.00
Sichuan Tianhua Co.	1,337.00	1,337.00
Jiulong Fuchuan Hydro-electricity Resource Development Co.	1,280,000.00	640,000.00
Sichuan Galaxy Chemical Co.	1,798,941.56	1,798,941.56
Sichuan Guotou Asset Trusteeship Co.	2,600,000.00	2,600,000.00
Sichuan Juxin Development Equity Investment Co.	9,800,000.00	9,800,000.00
GW Bank	25,177,843.32	
Total	**143,822,891.99**	**32,262,252.32**

3. Other receivables

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Individually significant other receivablesfor which provision for bad debts is made individually	14,847,362,799.24	2,054,918,450.64	12,627,148,823.03	1,940,643,874.31
Other receivable for which provisionfor bad debts is made by combination	——	——	——	——
Receivable construction in-progress deposit combination	2,576,878,903.76	-	3,598,514,240.15	-
Receivable entrusted loan and interest combination	1,113,482,766.06	155,295,300.00	1,723,695,905.19	93,975,395.24
Receivable related party combination	3,292,412,641.23	443,497,341.75	873,122,886.95	100,818,803.57
Aging combination	11,200,848,485.68	4,553,465,142.91	7,578,026,332.59	1,349,171,189.49
Provision combination	91,273,761.65	-	47,263,212.97	-
Subtotal	18,274,896,558.38	5,152,257,784.66	13,820,622,577.85	1,543,965,388.30
Individually insignificant other receivables for which provision for bad debts is made individually	10,444,090,249.39	1,250,881,157.42	8,111,954,835.20	1,093,844,314.33
Total	**43,566,349,607.01**	**8,458,057,392.72**	**34,559,726,236.08**	**4,578,453,576.94**

(1) Other receivables with bad debt provision made on aging combination

Item	Ending Balance		Beginning Balance	
	Balance	Provision for bad debt	Balance	Provision for bad debt
Within 1 year	4,057,755,945.76	32,761,771.77	3,358,298,118.83	24,025,396.36
1-2years	1,044,283,964.05	68,175,536.69	1,567,100,626.80	99,837,625.62
2-3 years	1,221,166,413.50	205,309,074.25	795,533,276.36	131,827,365.27
3-4 years	662,384,716.41	283,270,320.03	834,644,220.03	339,252,777.18
4-5 years	817,096,342.66	571,146,614.57	361,847,489.54	186,689,953.15
Over 5years	3,398,161,103.30	3,392,801,825.60	660,602,601.03	567,538,071.91
Total	**11,200,848,485.68**	**4,553,465,142.91**	**7,578,026,332.59**	**1,349,171,189.49**

(2) Receivables of related parties' combination: see details in Note XI (3)

(3) Other receivables with bad debt provision made on individual basis

1) Other receivables with individual year-end value over RMB 0.1 billion and bad debt provision made on individual basis

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Funds appropriated on behalf of Department of Finance of Sichuan	5,091,545,405.00	-	–	Note 1
Yingchuang Investment Co., Ltd.	1,126,829,211.67	-	-	Expected to collect
Meishan Dongpo Urban Development Office	1,017,852,604.34	-	-	Expected to collect
Sichuan Chemical Holding (Group) Co., Ltd.	944,998,425.99	309,023,792.99	32.70	Expected not to collectible in full
CCB International Co., Ltd.	767,514,089.43	-	-	Expected to collect
Sichuan Yibin Yili Hengjiang Electric Generating Co.	767,276,110.44	-	-	No risk of impairment
Sichuan Chemical Group	1,057,616,320.97	385,266,273.47	36.43	Based on expected loss
Department of Finance of Sichuan	632,228,701.05	324,171,038.36	51.27	Based on expected loss
Xizang Huiren Investment and Advisory Co.	600,000,000.00	-	-	Expected to collect
Luzhou Xingyang Investment Group Co.	590,000,000.00	-	-	Expected to collect
Local communications bureaus in the province	561,934,915.82	561,934,915.82	100.00	Based on expected loss

Debtors	Book balance	Amount of provision	Percentage of provision (%)	Reason for provision
Chongqing Fulin Road & Bridge Construction Co.	262,507,616.00	44,221,041.71	16.85	Based on expected loss
Shenzheng Xinjingyu Technology Co., Ltd	190,056,506.90	190,056,506.90	100.00	Uncollectible
Sichuan Development Investment Co., Ltd	254,406,715.30	-		Expected to collect
Jinniu Hotel	180,000,000.00			Expected to collect
Chengdu Shuangliu High Frequency (Group) Co., Ltd	151,020,603.36	151,020,603.36	100.00	Based on expected loss
Sichuan Xingding Electric Power Co.	121,551,496.05	-	-	Expected to collect
Chengdu Gravity Real Estate Co., Ltd.	111,000,000.00	25,451,762.11	22.93	Expected to collect, but age is long
Sichuan Meihao Group	108,340,000.00	1,830,000.00	1.69	Recognition of the difference between book value and present value of future cash flow
Guanghan Zhongding Construction Management Co.	107,857,059.50	44,693,700.00	41.44	Based on expected loss
Mianyang Bureau of Transport	102,827,017.42	12,248,815.92	11.91	Based on expected loss
China Nuclear Industry Zhongyuan Construction Co., Ltd	100,000,000.00	5,000,000.00	5.00	Based on expected loss
Total	**14,847,362,799.24**	**2,054,918,450.64**		

* Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its documents to support the development of enterprises within the province. Settlement is made with the Department of Finance after the completion of all appropriations.

2) Other insignificant individual large-amount receivables as of the end of the year but with bad debt provision made on individual basis

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Zhang Ming Note1	97,918,505.41	97,918,505.41	100.00	Expected to be uncollected
Chengdu Heyifengmao Trading Co.	75,808,450.41	75,808,450.41	100.00	Expected to be uncollected

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
China Beijing Equity Exchange	75,000,000.00	-		Expected to be uncollected
Chengdu Xincheng International Economic Development Co.	70,748,976.03	40,214,500.00	56.84	Based on expected loss
Huatai Securities Asset Management Co.	69,513,692.79	-	-	Expected to collect
Eerduosi Yineng Road & Bridge Co.	66,280,102.57	66,280,102.57	100.00	Expected to be uncollected
Leshan Shanwan Hotel	67,424,819.81	67,424,819.81	100.00	Expected to be uncollected
Land Reserve Center of Dujiangyan	64,120,800.00	-	-	Expected to collect
Sichuan Jingguancheng Real Estate Co.	59,975,120.26	59,975,120.26	100.00	Expected to collect
Land Reserve Center of Leshan	52,260,963.42	52,260,963.42	100.00	Expected to be uncollected
Sichuan Press Center	50,010,000.00	50,000,000.00	99.98	Expected to be uncollected
Sichuan Hengkang Development Co.	50,000,000.00	10,000,000.00	20.00	Based on expected loss
Government of Songpan	50,000,000.00	-	-	Expected to be collected
Chengdu Huagaoruitian Co.	49,675,140.17	49,675,140.17	100.00	Expected to be uncollected
Shenzheng Qianghe Industrial Co.	47,640,000.00	-	-	Expected to be collected
Sichuan Zhonghan Solar Energy Electric Power Co.	40,210,983.60	-	-	Expected to be collected
Dazhou Transport Development Co.	30,442,547.30	18,442,547.30	60.58	Based on expected loss
Chengdu Court of railway administration	30,000,000.00	-	-	Expected to collect
Caitong Fund Management Co.	26,117,748.83	-	-	Expected to collect
Xuyong Haolong Mining Co.	25,980,403.63	-	-	Expected to collect
Boshi Fund Management Co.	25,341,290.16	-	-	Expected to collect
State-owned Asset Management of Daxian	24,252,387.09	24,252,387.09	100.00	Expected to be uncollected
Pingan Leasing Co., Ltd.	22,200,000.00	-	-	Expected to collect
Sichuan Iceberg Co.	22,115,592.50	22,115,592.50	100.00	Expected to be uncollected
Jingguancheng Real Estate Development Co.	20,000,000.00	20,000,000.00	100.00	Expected to be uncollected
Zongfu Industrial (Group) Co.	19,500,587.56	19,500,587.56	100.00	Expected to be uncollected
Chengdu Xinhuamao Materials Trading Co.	19,100,000.00	19,100,000.00	100.00	Expected to be uncollected

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Chengdu Yanghua Trading Co.	19,000,000.00	19,000,000.00	100.00	Expected to be uncollected
Nahui Fengyuan Electric Power Co.	18,632,979.31	18,632,979.31	100.00	Expected to be uncollected
Electric station in East of Hongya	17,548,206.00	17,548,206.00	100.00	Expected to be uncollected
Sichuan Trustee Co.	17,498,375.07	17,498,375.07	100.00	Expected to be uncollected
Gaofen	17,351,761.60	17,351,761.60	100.00	Expected to be uncollected
Everbright Leasing Co.	16,200,000.00	-	-	Expected to be collected
Chengdu Tongchengtai Electric Co.	16,035,050.00	16,035,050.00	100.00	Expected to be uncollected
Hunan Xiangtan Road & Bridge Construction Co.	21,721,332.16	21,721,332.16	100.00	Expected to be uncollected
Huaxi Co.	15,646,472.08	-	-	Expected to be collected
Sichuan Shaqi Co.	15,500,000.00	5,857,100.00	37.79	Based on expected loss
Yunnan Lilai Investment Co.	26,825,656.13	4,775,100.00	17.80	Based on expected loss
Chengdu High Frequency Real Estate Co., Ltd	15,000,000.00	15,000,000.00	100.00	Expected to be uncollected
Luzhou Naxi Project Management Co.	15,000,000.00	-	-	Based on expected loss
Wenzhou Yunfeng Construction Co.	14,594,998.73	14,594,998.73	100.00	Expected to be uncollected
Bureau of Urban-rural Planning, construction and Building in Yanyuan	14,833,300.00	-	-	Expected to be collected
Pingwu Electric Factory	14,236,253.30	14,236,253.30	100.00	Expected to be uncollected
Chongqing Haiya Industrial Co.	14,000,000.00	700,000.00	5.00	Based on expected loss
Yichuan Zhigu Electric Co.	11,792,791.90	5,896,395.95	50.00	Based on expected loss
Weihai Huayuan Bio-heat electric Co	11,200,000.00	560,000.00	5.00	Based on expected loss
Middle Court of Mianyang	11,182,794.10	-	-	Expected to be collected
Sichuan Riyue Mining Co.	10,600,000.00	10,600,000.00	100.00	Expected to be uncollected
Shanghai Yuanyin Metal Co.	10,125,266.09	300,496.13	2.97	Based on expected loss
Xinyuan Co. (Infrastructure)	10,066,700.00	10,066,700.00	100.00	Expected to be uncollected
Guanghan Runfeng Co.	10,000,000.00	10,000,000.00	100.00	Expected to be uncollected
Jiangkou Fanyue Cultural Tourism Co.	10,000,000.00	-	-	Expected to be collected

Company Name	Book balance	Amount of bad debts	Percentage of provision (%)	Reason for provision
Others(sum of the amount individually lower than RMB 10 million)	8,817,860,201.38	337,537,692.67	3.83	Based on expected loss
Total	**10,444,090,249.39**	**1,250,881,157.42**		——

Note1: Zhang Ming was a shareholder of Sichuan Sunfor Light Co., Ltd. Sichuan Sunfor Light Co., Ltd. filed a lawsuit on January 18, 2017 to Chengdu City Intermediate People's court, and frozen Zhang Ming's holdings of 16.0297 million shares in Sichuan Sunfor Light Co., Ltd. According to the lawyer, Zhang Ming's existing enforceable property is only equity held by him, several creditors, including Sichuan Sunfor Light Co., Ltd, has taken action to adopt preservation measures, and the litigation claims of several creditors are likely to be supported by the courts, the sum of money determined by the legal instrument will be much higher than the value of the equity held by Zhang Ming, Zhang Ming's property is out of debt. Therefore, provision for bad debts is provided for the full amount of the debt.

(4) Reversal of bad debts provision of the year

None

(5) Written off bad debts provisions this year

None

(6) Top 5 other account receivable in order of ending balance of debtors

Debtor	Nature	Book balance	Age	Percentage of total other account receivables（%）	Bad debt provision
Payment made on behalf of the Finance Department of Sichuan Province	Delegated appropriated payment	5,091,545,405.00	3-5 years	11.69	
Yingchuang Investment Management Co., Ltd.	Pre-allocate income	1,126,829,211.67	Within 2 years	2.59	
Intercity Railway of Southern Sichuan Co.	Current accounts	1,088,219,873.70	Within 1 year	2.50	
Sichuan Chemical Holding (Group) Co., Ltd..	Loan and Construction	1,057,616,320.97	0-4 years, over 5 years	2.43	385,266,273.47

Sichuan Lianle Railway Co.	Current accounts	876,722,373.25	1-2 years	2.01	

6. Inventories

Item	Ending Balance		
	Book balance	Provision for decline in value	Carrying amount
Raw materials	1,677,980,862.57	37,118,313.41	1,640,862,549.16
Self-made semi-finished products and products in process	1,226,616,112.28	10,077,746.46	1,216,538,365.82
Merchandise inventory	3,735,665,639.98	247,028,606.98	3,488,637,033.00
Goods shipped in transit	270,246,327.44	97,553.53	270,148,773.91
Revolving materials	482,007,362.69	532,488.87	481,474,873.82
Consumable biological assets	13,179,147.20		13,179,147.20
Engineering construction	17,971,954,829.27	72,143,687.78	17,899,811,141.49
Developed products	4,814,880,045.23		4,814,880,045.23
Development Cost	28,194,881,104.40		28,194,881,104.40
Others	983,889,813.29	162,905,260.21	820,984,553.08
Total	**59,371,301,244.35**	**529,903,657.24**	**58,841,397,587.11**

(Continued)

Item	Beginning Balance		
	Book balance	Provision for impairment	Book balance
Raw materials	869,304,253.21	26,642,434.27	842,661,818.94
Self-made semi-finished products and products in process	192,205,030.50	16,144,336.24	176,060,694.26
Merchandise inventory	3,802,844,403.02	233,500,694.87	3,569,343,708.15
Goods shipped in transit	396,459,031.47	147,008.55	396,312,022.92
Revolving materials	414,192,401.43	1,170,798.71	413,021,602.72
Consumable biological assets	4,890,033.84		4,890,033.84
Engineering construction	12,959,391,404.62	55,227,907.29	12,904,163,497.33
Developed products	5,956,631,106.12		5,956,631,106.12
Development Cost	20,411,969,605.69	5,643,764.32	20,406,325,841.37
Others	161,743,578.61	18,708,872.98	143,034,705.63
Total	**45,169,630,848.51**	**357,185,817.23**	**44,812,445,031.28**

7. Non-current assets due within one year

Item	Carrying value at the end of the year		Carrying value at the beginning of the year	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term entrusted loans	2,475,669,744.89	39,256,227.60	434,182,082.38	3,000,000.00
BOT and BT project receivables	5,615,667,035.31		318,114,336.86	20,804,179.48
Compensation	7,441,761.43		6,532,445.08	
Debts available for sales	1,038,585,000.00		45,000,000.00	
Long-term debt investment	700,000,000.00		1,596,000,000.00	
Installment financing leases to be recovered in 2019	663,971,842.05	16,723,448.02	1,422,584,008.20	84,118,256.98
Total	**10,501,335,383.68**	**55,979,675.62**	**3,822,412,872.52**	**107,922,436.46**

8. Other current assets

Item	Ending Balance	Beginning Balance
Advance tax payment	402,835,442.01	262,117,324.51
Input tax will be deducted	2,794,958,874.01	1,277,987,363.72
Bank financial products	10,321,128,380.67	9,771,331,745.39
Entrusted Loan	2,835,861,699.03	1,461,720,539.30
Less：impairment provision	528,100,141.54	612,590,395.24
Others	1,666,325,536.43	1,609,575,794.65
Total	**17,493,009,790.61**	**13,770,142,372.33**

9. Loans and advances

(1)Distribution of loans and advances by individual and enterprise

Item	Ending Balance	Beginning Balance
Personal loans and advances	3,275,957,375.42	2,978,173,410.50
Including: Credit card	716,000.00	
Home mortgage	1,399,857,402.41	1,263,374,705.72
Other	1,875,383,973.01	1,714,798,704.78
Corporate loans and advances	4,257,318,288.52	4,611,589,845.73
Including: Loans	4,099,178,161.15	4,538,544,310.41
Discount	-	
Other	158,140,127.37	73,045,535.32
Total of loans and advances	**7,533,275,663.94**	**7,589,763,256.23**
Less: loan loss provision	242,113,078.32	230,996,996.70

Item	Ending Balance	Beginning Balance
Including: provision made on individual basis	-	27,226,014.71
provision made on combination basis	242,113,078.32	203,770,981.99
Carrying amount of loans and advances	**7,291,162,585.62**	**7,358,766,259.53**

(2) Distribution of loans and advances by security mode

Item	Ending Balance	Beginning Balance
Fiduciary loans	318,964,404.87	315,426,768.12
Secured loans	778,895,439.57	644,614,145.55
Loans with security	6,435,415,819.50	6,629,722,342.56
Including: mortgage loans	4,939,464,342.85	4,959,811,780.10
Pledge loans	1,495,951,476.65	1,669,910,562.46
Total of loans and advances	**7,533,275,663.94**	**7,589,763,256.23**
Less: loan loss provision	242,113,078.32	230,996,996.70
Including: provision made on individual basis	-	27,226,014.71
Provision made on combination basis	242,113,078.32	203,770,981.99
Carrying amount of loans and advances	**7,291,162,585.62**	**7,358,766,259.53**

(3) Loan loss provision

Item	Amount for the year		Amount for previous year	
	Individual	Group	Individual	Group
Beginning balance	**27,226,014.71**	**203,770,981.99**	**16,935,506.32**	**196,913,930.06**
Provision for the year	-9,115,502.76	38,507,330.12	18,477,944.63	6,857,051.93
Turnout for the year	18,110,511.95	165,233.79	8,187,436.24	
Write-off for the year				
Write-back for the year				
-Write-back resulting from recovery of loans and advances originally written off				
-Write-back resulting from increase of discounted value of loans and advances				
-Write-back resulting from other factors				
Ending balance	**-**	**242,113,078.32**	**27,226,014.71**	**203,770,981.99**

10. Financial assets available-for-sale

Item	Fair value as of the end of the year	Fair value as of the beginning of the year
Bonds available-for-sale	2,641,893,157.00	2,276,864,852.63
Equity investments available-for-sale	30,403,020,485.39	33,671,838,862.63
Sub-total	**33,044,913,642.39**	**35,948,703,715.26**
Less: provision for impairment of financial assets available-for-sale	554,603,733.16	220,416,115.93
Total	**32,490,309,909.23**	**35,728,287,599.33**

Financial assets available for sale with year-end value over 1 billion yuan are as follows:

Item	Measurement	Amounts at the end of the year
Sichuan Hebang Biotech Co., ltd	Fair value	1,187,826,136.20
Chengdu Bank	Fair value	1,168,812,086.40
Bank of Communications International Trust Co., ltd	Cost	3,320,000,000.00
Dacheng Railway Co., ltd	Cost	1,938,256,087.35
Panzhihua Fengyuan Mining Co., ltd	Cost	1,000,000,000.00
Less: provision for impairment of financial assets available-for-sale		243,987,800.00
Total		**8,370,906,509.95**

11. Long-term receivables

Item	Ending Balance		Beginning Balance	
	Balance	Provision for impairment	Balance	Provision for impairment
Sale of goods by installment	293,551,205.62	2,322,153.90	219,082,510.20	2,322,153.90
Provide services by installment	410,215,419.81		109,436,173.89	
Financial Leasing	5,234,478,154.32	209,535,337.79	4,112,599,245.08	30,647,252.92
Long-term entrusted loan	11,204,194,330.06	747,830,949.90	8,369,947,032.50	645,449,154.62
BOT and BT receivables	3,715,772,831.79	34,750,000.00	5,665,033,702.29	30,000,000.00
PPP project*1	10,081,145,833.06		4,114,829,925.93	
Special funds for Shanty Rebuild*2	51,516,941,402.38		58,279,020,089.88	
Bad creditor’s rights acquisition	1,294,779,893.31		4,554,387,979.81	

Item	Ending Balance		Beginning Balance	
	Balance	Provision for impairment	Balance	Provision for impairment
Construction and land acquisition and demolition	2,378,496,915.19		747,332,430.15	
Others*1	3,070,124,201.68	286,498,145.78	2,188,026,828.69	300,694,507.21
Total	**89,199,700,187.22**	**1,280,936,587.37**	**88,359,695,918.42**	**1,009,113,068.65**

*1. Mainly the receivables from PPP projects of Sichuan Railway Investment Group Co, Ltd.

*2. Special funds for Shanty Rebuild are the loan Sichuan Rural Investment obtained from China Development Bank. The interest rate is 10% lower than the bank benchmark interest rate of the same period. The Company signed Three Parties Agreement for Fund Use with local government and government companies; the fund is deposited in the special account of government companies and specifically used for reconstruction of shed area project. The Company charges management fees at 0.4% of the loan per year from local municipal government.

*3. Others are mainly pay for the projects in advance

12. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Investment in subsidiaries*1	168,664,833.68	9,720,464.07	42,200,000.00	136,185,297.75
Investment in joint ventures	1,884,045,598.51	1,052,994,400.03	90,556,832.16	2,846,483,166.38
Investments in associates	50,261,949,025.87	23,018,476,124.21	2,496,042,770.96	70,784,382,379.12
Sub-total	52,314,659,458.06	24,081,190,988.31	2,628,799,603.12	73,767,050,843.25
Less: provision for impairment of long-term equity investment*2.	130,628,290.21	105,512,091.49	8,742,613.83	227,397,767.87
Total	**52,184,031,167.85**	**23,975,678,896.82**	**2,620,056,989.29**	**73,539,653,075.38**

*1. The decrease in the investment of subsidiaries is mainly due to: 1. State-owned Operation reduced the investment in Sichuan Guohuan Jinze Technology Co. at RMB 6 million. 2. Sichuan Development Wine Co. is measured by equity method from cost method, which contributes to the decrease at the amount of RMB 35 million.

(2) Details of major long-term equity investments

Name of investee	Accounting Method	Investment cost	Beginning balance	Increase during the year	Decrease during the year	Ending balance	Proportion of shareholding (%)	Provision for impairment	Cash dividend for the year
1. Joint ventures									
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.,Ltd.	Equity method	841,391,400.00	841,391,400.00			841,391,400.00	38.00		
Asmara Mining Share Company	Equity method	439,972,223.31	459,017,344.81	15,942,501.32		474,959,846.13	60.00		
Sichuan Chengyu Development Stock Investment Funds Center (Limited Partnership)	Equity method	150,000,000.00	221,455,978.65	24,125,339.12		245,581,317.77	50.00		
Sichuan Duoshi Lianyun Investment Development Co.	Equity method	510,000,000.00		510,802,400.14		510,802,400.14	17.52		
2.Associates									
Sichuan Airport Group Co.	Equity method	4,875,503,844.93	12,207,890,863.32	5,071,258,407.94		17,279,149,271.26	45.81		
Sichuan Pharmaceutical Group	Equity method	16,135,321.65	175,019,901.76	47,698,197.74	5,937,144.06	216,780,955.44	34.00		5,937,144.06
Sichuan Shengtian New Energy Development Co., Ltd.	Equity method	140,000,000.00	150,983,111.13	321,656,160.92		472,639,272.05	51.60		

Name of investee	Accounting Method	Investment cost	Beginning balance	Increase during the year	Decrease during the year	Ending balance	Proportion of shareholding (%)	Provision for impairment	Cash dividend for the year
Sichuan Xingwen Shihai Tianxiaqi Tourism and Culture Co., Ltd	Equity method	600,000,000.00	600,024,854.48	6,868,872.35		606,893,726.83	40.00		
Sichuan Tourism and Investment Co., Ltd	Equity method	800,000,000.00	812,310,763.63	103,257,381.67		915,568,145.30	39.78		
CCAC Flight Co.	Equity method	175,000,000.00	216,008,266.60	6,970,001.10	1,860,196.80	221,118,070.90	19.00		1,860,196.80
Guobao Life Co.	Equity method			286,148,360.20		286,148,360.20	20.00		
Shenwan Hongyuan Securities	Equity method			6,124,584,093.75	56,227,181.65	6,068,356,912.10	4.99		56,227,181.65
Sichuan Changning Natural Gas Development Co., Ltd.	Equity method	900,000,000.00	1,175,559,224.15	215,054,626.94	61,469,837.50	1,329,144,013.59	30.00		61,469,837.50
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd.	Equity method	3,000,000,000.00	3,000,000,000.00	600,000,000.00		3,600,000,000.00	15.00		
China Changjiang Power Co., Ltd.	Equity method	10,630,400,000.00	11,589,504,816.02	946,364,139.41	598,400,000.00	11,937,468,955.43	4.00		598,400,000.00
Beijing Huading New Power Equity Investment Fund (LP)	Equity method	4,626,526,945.05	2,425,278,824.36	2,201,248,120.69		4,626,526,945.05	97.08		
Sichuan Guoli Lithium Material Co.	Equity method	548,065,000.00	549,768,028.36	1,408,321.58		551,176,349.94	43.73		

Name of investee	Accounting Method	Investment cost	Beginning balance	Increase during the year	Decrease during the year	Ending balance	Proportion of shareholding (%)	Provision for impairment	Cash dividend for the year
Sichuan Aizhong Development Co.	Equity method	445,280,000.00	757,560,008.24	29,385,382.80		786,945,391.04	34.00		
Dazhou Electric Power Group Co., Ltd.	Equity method	206,508,454.59	244,154,260.81	4,670,883.40		248,825,144.21	49.00		
Sichuan Daduhe Electric Power Co.	Equity method	338,341,700.00	338,281,229.50	-1,895,591.85		336,385,637.65	32.99		
Tianyun International Co.	Equity method	371,673,680.10		371,673,680.10		371,673,680.10	27.00		
Chengdu Airlines Co., Ltd	Equity method	192,798,438.90	453,186,776.54	-14,537,621.43	14,537,871.69	424,111,283.42	40.97		14,537,871.69
Sichuan Airlines Co., Ltd.	Equity method	400,000,000.00	1,980,607,673.95	83,711,879.79	55,630,585.15	2,008,688,968.59	40.00		55,630,585.15
Sichuan Jinshi Leasing Co.			207,750,897.36	86,214,694.68	10,578,163.26	283,387,428.78	40.00		10,578,163.26
Chuancai Securities Co., Ltd.	Equity method	334,117,935.05	596,250,983.94	9,435,036.00	78,355,996.00	527,330,023.94	39.00		78,355,996.00
Chengdu Innovation Risk Investment Co., Ltd.	Equity method	220,722,000.00	392,226,258.43	24,216,953.73	33,111,000.00	383,332,212.16	36.79		33,111,000.00
Huadian Jinsha River Upstream Hydropower Development Co.	Equity method	200,000,000.00	200,312,015.97	624,430,363.41		824,742,379.38	14.00		
China Mechants Expressway Network & Technology Holding Co.	Equity method	3,000,000,000.00	3,126,995,126.27	253,281,661.12	86,220,472.35	3,294,056,315.04	6.37		86,220,472.35

Name of investee	Accounting Method	Investment cost	Beginning balance	Increase during the year	Decrease during the year	Ending balance	Proportion of shareholding (%)	Provision for impairment	Cash dividend for the year
Sichuan Chengmian Expressway Co., Ltd.	Equity method	180,400,000.00	363,166,376.22	259,772,671.24	320,389,131.83	302,549,915.63	40.00		320,389,131.83
China Logistics Co.,Ltd.	Equity method	307,717,829.84	327,415,600.21	4,606,416.61		332,022,016.82	7.96		
Sichuan Wudu Electric Power Co.	Equity method	315,934,300.00		336,884,945.12		336,884,945.12	33.33		
Sichuan Jiangtong Tombarthite Co.	Equity method	563,712,002.98	696,987,867.22	35,895,555.26	21,690,245.74	711,193,176.74	39.00		
Datang Xiangcheng Hydropower Development Co.	Equity method	448,591,870.00		448,844,916.85		448,844,916.85	22.95		
Shanxi Lianshi Nonferrous Resource Co.	Equity method	798,103,751.30		816,337,806.75		816,337,806.75	8.33		
Sichuan Re-guarantee Co.	Equity method	402,187,907.49	405,812,608.20	3,905,321.88		409,717,930.08	20.00		
Chengdu Guibao Technology Co., Ltd	Equity method	577,458,110.19	580,671,591.47	11,624,218.41	5,891,541.60	586,404,268.28	17.80		5,891,541.60
Total		**37,556,542,715.38**	**45,095,592,651.60**	**19,871,846,098.74**	**1,350,299,367.63**	**63,617,139,382.71**			**1,328,609,121.89**

(3) Financial information of major joint ventures and associates (unit: RMB ‘0000’)

Name of investee	Proportion of total shareholding (%)	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total operating revenue for the year	Net profit for the year
Sichuan Airport Group	45.81	5,150,956.35	1,267,105.97	3,883,850.38	405,038.51	27,393.45
Sichuan Pharmaceutical Group	34.00	464,810.92	342,951.23	121,859.69	840,949.07	14,028.88
Sichuan Shengtian New Energy Development Co., Ltd.	51.60	291,224.30	180,109.42	111,114.88	18,977.03	4,056.82
Sichuan Xingwen Shihai Tianxiaqi Tourism and Culture Co., Ltd	40.00	420,678.50	327,983.75	92,694.75	686,930.40	2,674.16
Sichuan Logistic Industry Co., Ltd	40.00	121,708.87	378.16	121,330.71	0.00	1,385.78
Sichuan Tourism and Investment Co., Ltd	39.78	664,676.84	392,200.45	272,476.39	182,352.54	918.87
Shenwan Hongyuan Securities	4.99	34,772,503.49	27,652,910.58	7,119,592.91	1,527,742.59	416,018.87
Chengdu Innovation Risk Investment Co., Ltd.	36.79	134,016.52	11,102.76	122,913.76	6,873.11	8,637.10
Chuancai Securities Co., Ltd.	39.00	347,014.48	206,471.87	140,542.61	36,582.25	2,419.24
Sichuan Chuanchu Real Estate Co.	49.00	152,913.80	118,968.41	33,945.38	42,292.18	12,015.32
Sichuan Re-guarantee Co.	20.00	210,507.43	5,648.46	204,858.97	1,160.34	1,952.66
Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd.	15.00	10,683,456.55	8,283,456.55	2,400,000.00		
Sichuan Changning Natural Gas Development Co., Ltd.	37.98	922,288.78	479,240.77	443,048.00	208,152.54	69,271.65
China Changjiang Power Co., Ltd.	4.00	29,545,430.74	15,275,485.64	14,269,945.10	5,121,396.57	2,263,770.50
Chengdu Airlines Co., Ltd	40.00	3,217,227.89	2,713,576.56	503,651.33	2,326,832.82	20,912.15
Sichuan Airlines Co., Ltd.	40.97	702,271.52	598,758.10	103,513.42	521,429.38	2,157.73
Sichuan Jinshi Leasing Co., Ltd.	19.25	654,134.00	518,700.95	135,433.05	36,629.47	10,707.35
Sichuan Duoshi Lianyun Investment Development Co.	17.52	102,860.37	2,703.04	100,157.33	2,481.07	157.33
China Logistics Co.,Ltd.	7.96	1,056,982.15	501,054.63	555,927.52	368,229.30	10,679.37

Name of investee	Proportion of total shareholding (%)	Total assets at the end of the year	Total liabilities at the end of the year	Total net assets at the end of the year	Total operating revenue for the year	Net profit for the year
Sichuan Renshou Rural Commercial Bank	9.99	2,347,648.71	2,192,769.35	154,879.36	80,321.16	13,616.96
China Merchants Highway Co.	6.37	8,408,425.37	3,428,509.31	4,979,916.06	675,934.02	437,105.12
CRRC Ziyang Institute Co.	30.00	101,357.05	60,733.50	40,623.55	170,680.27	1,771.47
Tianyun International Co.	27.00	1,089,822.00	43,085.00	1,046,737.00	940,507.00	147,527.00
Datang Xiangcheng Hydropower Development Co.	22.95	392,774.77	304,293.18	88,481.59	6,285.12	56.23
Shanxi Lianshi Nonferrous Resource Co.	8.33	520,727.86	213,501.19	307,226.67	160,251.99	2,455.20
Sichuan Xiaojinhe Hydropower Development Co.	43.00	217,337.17	172,947.30	44,389.87	17,851.60	-1,332.45

(4) Provision for impairment of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Xinhua Travel Service Co., Ltd.	300,000.00			300,000.00
Sichuan Publishing Foreign Trade Company	707,325.58			707,325.58
Sichuan International Cooperation Co., Ltd.	15,000,000.00			15,000,000.00
Sichuan Daqi Assets Merger and Acquisition Advisory Co., Ltd.	102,000.00			102,000.00
Sichuan Lvke Fruit and Vegetable Drinks Co., Ltd.	10,058,457.75			10,058,457.75
Sichuan Lujie Information Engineering Co., Ltd.	1,200,000.00		1,200,000.00	
Sichuan University Scientific and Technological Achievement Transformation Center Co., Ltd.	8,951,683.18			8,951,683.18
Sichuan Dazhou Tieshan Tunnel Construction and Development Co., Ltd.	22,849,248.51			22,849,248.51
Leshan Shanwan Hotel Co., Ltd.	29,842,580.85			29,842,580.85
Jinfan Hotel	400,000.00			400,000.00
Xingwen Daguang Cement Products Co., Ltd.	345,000.00			345,000.00
Xingwen Wanfeng nano powder Co., Ltd.	931,910.92			931,910.92
Sichuan Santai Wenfeng Electro- Metallurgy Chemical Plant	7,542,613.83		7,542,613.83	
Qinghai Yulong Mining Co., Ltd.	3,361,400.00	60,000,000.00		63,361,400.00
Chengdu Huagao Ruitian Technology Co., Ltd.	29,036,069.59			29,036,069.59
Chongqing Yunhan Network Media Co.		16,529,000.00		16,529,000.00
Shanghai Hongyuan Technology Co.		2,002,567.24		2,002,567.24
Yichang Xinli New Energy Co.		7,359.06		7,359.06
Henan Xinli Lighting Equipment Co.		32,635.19		32,635.19
Shanghai Hanlong Investment Co.		790,530.00		790,530.00
China International Futrures Co. Ltd		20,000,000.00		20,000,000.00
Guanghan Datong Financing Co.		150,000.00		150,000.00
Sichuan Qimingxing Investment Co.		6,000,000.00		6,000,000.00
Total	**130,628,290.21**	**105,512,091.49**	**8,742,613.83**	**227,397,767.87**

13. Investment properties

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total original carrying value	**2,921,045,365.80**	**1,899,233,645.44**	**103,841,868.43**	**4,716,437,142.81**

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
1. Buildings	2,919,565,365.80	1,896,811,723.09	101,419,946.08	4,714,957,142.81
2. Land use right	1,480,000.00	2,421,922.35	2,421,922.35	1,480,000.00
Total accumulated depreciation	**938,429,036.69**	**168,462,355.21**	**43,982,685.72**	**1,062,908,706.18**
1. Buildings	938,429,036.69	168,012,567.30	43,532,897.81	1,062,908,706.18
2. Land use right		449,787.91	449,787.91	
Total net carrying value	**1,982,616,329.11**			**3,653,528,436.63**
1. Buildings	1,981,136,329.11			3,652,048,436.63
2. Land use right	1,480,000.00			1,480,000.00
Total provision for impairment	**6,247,609.23**		**79,671.80**	**6,167,937.43**
1. Buildings	6,247,609.23		79,671.80	6,167,937.43
2. Land use right				
Total carrying value	**1,976,368,719.88**			**3,647,360,499.20**
1. Buildings	1,974,888,719.88			3,645,880,499.20
2. Land use right	1,480,000.00			1,480,000.00

14. Fixed assets

Item	Closing Balance	Beginning Balance
Fixed assets	252,203,799,732.21	232,662,328,178.90
Disposal of fixed assets	19,591,946.93	11,259,955.86
Total	**252,223,391,679.14**	**232,673,588,134.76**

(1) Cost of fixed assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	33,573,200,091.12	7,498,135,902.73	1,061,090,675.78	40,010,245,318.07
Railway tracks	3,853,268,595.25			3,853,268,595.25
Roads and structures	194,383,616,035.58	6,702,399,946.76	974,936,500.65	200,111,079,481.69
Aircraft	1,120,885,482.85	2,514,168,638.63		3,635,054,121.48
Pipe network assets	67,047,519.81	119,353,379.34	433,896.91	185,967,002.24
Plant and machinery	30,979,346,332.16	10,173,825,001.46	653,140,923.84	40,500,030,409.78
Means of transport	2,095,423,796.73	406,911,355.17	331,884,168.50	2,170,450,983.40
Office equipment and other	2,385,044,961.02	349,067,863.73	180,604,730.37	2,553,508,094.38

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total	**268,457,832,814.52**	**27,763,862,087.82**	**3,202,090,896.05**	**293,019,604,006.29**

(2) Accumulated depreciation

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	5,961,287,071.39	1,158,710,469.71	137,942,793.15	6,982,054,747.95
Railway tracks	386,794,472.66	33,401,712.66		420,196,185.32
Roads and structures	14,181,930,753.46	2,160,801,331.93	218,824,141.17	16,123,907,944.22
Aircraft	13,304,180.65	88,329,771.72		101,633,952.37
Pipe network assets	18,203,437.19	15,724,134.18	88,772.39	33,838,798.98
Plant and machinery	11,023,264,102.30	1,876,605,357.27	265,646,498.43	12,634,222,961.14
Means of transport	1,244,624,530.05	271,434,445.27	175,216,281.73	1,340,842,693.59
Office equipment and other	1,203,712,736.27	288,911,997.50	96,214,695.54	1,396,410,038.23
Total	**34,033,121,283.97**	**5,893,919,220.24**	**893,933,182.41**	**39,033,107,321.80**

(3) Provision for impairment of fixed assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Housing and building	1,688,325,750.86	3,287,099.94	14,468,213.32	1,677,144,637.48
Railway tracks				
Roads and structures				
Aircraft				
Pipe network assets		5,503,631.03		5,503,631.03
Plant and machinery	70,953,633.38	32,341,850.30	5,431,406.61	97,864,077.07
Means of transport	827,801.38	539,545.68	653,831.10	713,515.96
Office equipment and other	2,276,166.03	341,357.64	1,146,432.93	1,471,090.74
Total	**1,762,383,351.65**	**42,013,484.59**	**21,699,883.96**	**1,782,696,952.28**

(4) Net carrying value of fixed assets

Items	Beginning balance	Ending balance
Housing and building	25,923,587,268.87	31,351,045,932.64
Railway tracks	3,466,474,122.59	3,433,072,409.93
Roads and structures	180,201,685,282.12	183,987,171,537.47
Aircraft	1,107,581,302.20	3,533,420,169.11

Items	Beginning balance	Ending balance
Pipe network assets	48,844,082.62	146,624,572.23
Plant and machinery	19,885,128,596.48	27,767,943,371.57
Means of transport	849,971,465.30	828,894,773.85
Office equipment and other	1,179,056,058.72	1,155,626,965.41
Total	**232,662,328,178.90**	**252,203,799,732.21**

Note1: Original cost of fixed assets which remain in use after provision for depreciation is fully made is RMB 1,295.2998 million as of the end of the year.

Note 2: The amount added to fixed assets from construction in progress during the year was RMB 10,051.4273 million. The original value of fixed assets and depreciation increased by RMB 3,701.9288 million and 645.7498 million respectively since Xinzhu Co. and Guoke Co. are consolidated during this year.

NOTE 3: The fixed value decreased by RMB 3,202.0909 million, mainly since the Communication Group and Energy Group decreased the carrying value of fixed assets amounted to RMB 1,267.5129 and RMB 520,5115 million respectively, and Tianrui Mining Co. transformed the pre-fixed fixed assets that could not reach the target to construction in progress amounted to RMB 549.9661 million.

Note 4: Sichuan Highway and its subsidiaries did not recognize the depreciation of the road coming into use in 2012 since 2013. The asset was RMB 121.017 billion as at end of 2018.

15. Construction in progress

Item	Closing Balance	Beginning Balance
Construction in progress	85,679,946,189.57	65,891,000,950.9
Project materials	649,491,448.95	785,461,977.51
Total	**86,329,437,638.52**	**66,676,462,928.41**

(1) Ending book balance:

Project Name	Beginning balance		Increase during current year	Decrease during current year		Ending balance	
	Book balance	Provision for impairment		Amount	Including: transferred to fixed assets	Book balance	Provision for impairment
Total	**65,927,967,730.81**	**36,966,779.91**	**30,235,192,404.64**	**10,409,809,520.08**	**10,051,427,302.58**	**85,753,350,615.37**	**73,404,425.80**
Including: Top 10							
1. Sichuan Jinsha River Hydropower Plant	2,602,342,443.65		545,601,287.01			3,147,943,730.66	
2. Jiuzhai Yunding Project	2,623,086,670.94		42,868,031.26	441,364,861.66	441,364,861.66	2,224,589,840.54	
3. Wenchuan to Maerkang Expressway	12,324,597,923.29		4,738,964,697.60			17,063,562,620.89	
4. Yakang Expressway	12,321,270,902.75		2,295,465,096.38			14,616,735,999.13	
5. Chengziyu Expressway Project	43,178,704.19		2,064,633,947.07	4,964,419.82		2,102,848,231.44	
6. Jianwei Avionics Project	2,331,258,900.44		683,244,827.41	12,849,127.94		3,001,654,599.91	
7. Luyu Expressway	1,188,640,606.15		744,802,897.32			1,933,443,503.47	
8. Jingxinduan Project	123,708,926.36		2,334,314,796.94	6,409,281.41		2,451,614,441.89	
9. Chengyi Expressway	1,511,793,704.81		4,337,457,924.10			5,849,251,628.91	

10. Lehan Expressway	1,449,155,025.22		1,333,216,456.97			2,782,371,482.19	

(Continued)

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
Total	**609,865,764,526.71**		**5,377,083,368.31**	**1,401,009,248.32**	
Including: Top 10					
1. Sichuan Jinsha River Hydropower Plant	5,916,200,202.23	56.21%	380,972,164.99	109,277,987.06	loan and Self-fund
2. Jiuzhai Yunding Project			743,398,000.94	16,889,972.13	loan and Self-fund
3. Wenchuan to Maerkang Expressway	28,708,571,988.00	59.42%	261,003,331.06	57,468,959.41	Government Grant amounted to RMB 11.2 billion, Self-fund amounted to 13.28 billion, loan amounted to 4.32 billion
4. Yakang Expressway	23,030,118,998.00	63.39%	373,745,008.49	165,537,562.00	Specified fund 6.52 billion, transport construction fund 0.6 billion, the Company contributed to 12.91 billion, loan 5 billion.
5. Chengziyu Expressway Project	14,731,960,000.00	49.47%	180,060,578.25	158,763,807.42	Loan from financial units

Project Name	Budgeted Amount	Proportion of project investment to budget (%)	Accumulated amount of interest capitalization	Including: amount of interest capitalization during the year	Capital source
6. Jianwei Avionics Project	10,459,000,000.00	28.70%	17,006,941.43	6,918,634.02	Self-fund/loan
7. Luyu Expressway	3,939,262,500.00	35.00%	50,403,100.77	42,812,653.75	Capital of the project and loan
8. Jingxinduan Project	20,384,450,000.00	12.03%	131,734,249.08	105,843,455.60	loan
9. Chengyi Expressway	24,600,000,000.00	25.00%	129,225,443.39	123,715,034.38	Capital of the project and loan
10. Lehan Expressway	20,492,000,000.00	35.35%	38,384,637.12	38,149,012.12	Capital of the project and loan

16. Intangible Assets

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total original cost	**150,256,452,769.27**	**18,240,589,428.65**	**2,060,635,122.90**	**166,436,407,075.02**
Including: land-use rights	7,376,267,746.42	2,247,426,386.04	148,742,698.38	9,474,951,434.08
Expressway operation rights	30,007,921,395.59	3,977,973,670.11	21,800.70	33,985,873,265.00
WTE Power franchise right	1,116,834,335.65	81,045,787.59	437,000.52	1,197,443,122.72
BOT and BT assets	107,373,263,968.72	9,561,020,394.40	93,701,151.78	116,840,583,211.34
Patent rights and know-how	79,390,334.31	133,456,602.99	28,965,812.98	183,881,124.32
Software	316,336,653.34	77,475,190.86	1,834,956.42	391,976,887.78
Mining right and exploration right	3,928,299,831.45	2,162,131,651.38	1,786,922,621.12	4,303,508,861.71
Others	58,138,503.79	59,745.28	9,081.00	58,189,168.07
Total accumulated amortization	**8,740,771,708.90**	**2,395,962,813.95**	**15,888,127.97**	**11,120,846,394.88**
Including: land-use rights	939,658,370.15	184,694,714.73	9,298,280.41	1,115,054,804.47
Expressway operation rights	5,365,007,593.62	915,056,682.42		6,280,064,276.04
WTE Power franchise right	101,341,028.49	54,660,176.43		156,001,204.92
BOT assets	2,023,044,224.66	1,128,562,137.24		3,151,606,361.90
Patent rights and know-how	40,637,478.63	50,740,621.86	5,351,116.67	86,026,983.82
Software	170,085,420.05	43,209,723.33	1,229,649.89	212,065,493.49
Mining right and exploration right	73,352,779.79	15,060,724.33		88,413,504.12
Others	27,644,813.51	3,978,033.61	9,081.00	31,613,766.12
Total provision for impairment	**2,888,345,669.28**	**1,373,068.15**	**286,683.85**	**2,889,432,053.58**
Including: land-use rights	2,875,106,282.25		286,683.85	2,874,819,598.40
Expressway operation rights		693,157.04		693,157.04
WTE Power franchise right				

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
BOT assets				
Patent rights and know-how	1,239,387.03			1,239,387.03
Software				
Mining right and exploration right		679,911.11		679,911.11
Others	12,000,000.00			12,000,000.00
Total carrying value	**138,627,335,391.09**			**152,426,128,626.56**
Including: land-use rights	3,561,503,094.02			5,485,077,031.21
Expressway operation rights	24,642,913,801.97			27,705,115,831.92
WTE Power franchise right	1,015,493,307.16			1,041,441,917.80
BOT assets	105,350,219,744.06			113,688,976,849.44
Patent rights and know-how	37,513,468.65			96,614,753.47
Software	146,251,233.29			179,911,394.29
Mining right and exploration right	3,854,947,051.66			4,214,415,446.48
Others	18,493,690.28			14,575,401.95

Note: the intangible asset increased by RMB 18.241 billion mainly since the BOT assets of Railway Group increased by RMB 9.161 billion, Guoke Company, the new consolidated company, increased by 1.31 billion, BOT asset franchise of Communications Group and Guorun Environment increased by RMB 0.71 billion and RMB 0.399 billion.

17. Goodwill

(1) Original value of goodwill

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Xinlong Jinlong Hydropower Investment Co., Ltd.	1,315,000.00			1,315,000.00
Yunnan Pu'er Honghuan Hydropower Development Co., Ltd.	10,915,610.29			10,915,610.29
Jinggu Longjiang Electrical Development Co., Ltd.	11,941,000.00			11,941,000.00

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Zhaojue Haoyuan Electric Power Development Co., Ltd.	4,592,000.00			4,592,000.00
Daguan Xinhe Electric Power Co., Ltd.	84,125,429.07			84,125,429.07
Jinyang Sanhe Hydropower Development Co., Ltd.	298,240.67			298,240.67
Pingwu Xian Guangyao Electric Co.,Ltd.	6,600,476.26			6,600,476.26
Sichuan Hydropower Group Dazhu Electric Co.,Ltd.	100,000,000.00			100,000,000.00
SCEI Runjia Real Estate Co.,Ltd.	5,165,101.42			5,165,101.42
Sunfor Light Co	456,297,553.43			456,297,553.43
Sichuan Yilian Construction Engineering and Project Management Co.,Ltd.	872,167.65			872,167.65
Sichuan Energy Investment Liangli Logistics Development Co., Ltd.	295,655.57		295,655.57	
Tianquan Sand River Hydropower Station	6,623,979.45			6,623,979.45
Tianquan Dabainiu Hydroelectric Power Co., Ltd.	3,918,203.29			3,918,203.29
Tianquan kangneng Hydroelectric Development Co., Ltd.	12,942,254.35			12,942,254.35
Chengdu GENL Investment Co.,Ltd.	6,275,014.62			6,275,014.62
Chengdu Jinyu Investment Co.,Ltd.	5,706,984.88			5,706,984.88
Zizhonglongyuan Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,522,780.78			1,522,780.78
Yong’an Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,502,487.83			1,502,487.83
Xingwen Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	11,215,360.05			11,215,360.05
Sichuan Zhaojue Electric Power Co., Ltd.	8,703,254.40			8,703,254.40
Pingshan Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	27,442,364.59			27,442,364.59

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Gaoxian Electric Power Co.,Ltd. of Sichuan Hydropower Investment & Management Group	59,696,176.59			59,696,176.59
Meigu Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	3,409,238.53			3,409,238.53
Shuifu Yangliutan Power Generation Co., Ltd.	37,203,845.61			37,203,845.61
Gongxian Hongli Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	1,594,574.20			1,594,574.20
Dege Gesa'er Electric Power Co., Ltd. of Sichuan Hydropower Investment & Management Group	15,065,974.59			15,065,974.59
Luzhou Yuyu Electric Power Co., Ltd.	26,643,292.19			26,643,292.19
Chishui Yujin Hydropower Development Co., Ltd.	6,032,147.16			6,032,147.16
Hejiang Laolongkou Electric Power Co., Ltd.	335,216.85			335,216.85
Huaying Local Electrical Power Co., Ltd.	6,253,805.57			6,253,805.57
Luzhou Jialeyuan Electrical Development Co., Ltd.	14,825,937.45			14,825,937.45
Sichuan Jinxiang Real Estate Co.,Ltd. acquires its subsidiary	618,413.33			618,413.33
Zigong Energy Investment Huaxi Environmental Power Co.,Ltd.	284,700.00			284,700.00
Yanting Yingji Biotech Development Co.	1,970,550.02			1,970,550.02
Chengdu United Environment Co. *1	584,744.26	187,741.03		772,485.29
Sichuan New Energy Power Co. *1	250,666,892.60	10,112,122.64		260,779,015.24
Chengdu Jintang Jiangyuan Electric Co., Ltd	11,266,766.04			11,266,766.04
Mianning Guotou Dinas Co. *2		174,914,850.33		174,914,850.33
Sichuan Hengsheng Tianjie Environment Mangement Co. *2		26,008,153.04		26,008,153.04
Sichuan Panxi Lingshan Tourism Investment Development Co. *2		55,734,102.59		55,734,102.59

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Sichuan Energy Dingsheng Lithium Co. *2		559,688.33		559,688.33
Design and Research Institute of Sichuan Energy Construction Group *2		443,353.92		443,353.92
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Renjiao Times Xinhua Audio & Video Co., Ltd.	18,455.00			18,455.00
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Wagott Pharmaceutical Co., Ltd.	2,669,936.04			2,669,936.04
Xuyong Longmang Mineral Products Co., Ltd.	1,515,656.24			1,515,656.24
Sichuan Ethnic Investment Co., Ltd.	985,844.54			985,844.54
Sichuan Xingshu Railway Investment Co., Ltd.	1,128,173.36			1,128,173.36
Yanyuan Zhongwei New Energy Technology Co.	42,741.48			42,741.48
Yanyuan Huanlian Juneng Electric Development Co.	41,247,601.38			41,247,601.38
Sichuan Railway Group Urban-rural Investment and Construction Co. *2		10,640,344.14		10,640,344.14
Sichuan Railway Group*2		1,063,721.57		1,063,721.57
Sichuan Chuanrui Development Investment Co. *2		32,967,185.27		32,967,185.27
Sichuan Transportation Investment Chengtai Insurance Broker Company Limited	3,996,577.50			3,996,577.50
Neijiang Zhengli Real Estate Co.,Ltd.	123,089,858.99			123,089,858.99
Sichuan Baizhanghu Tourism Development Co.,Ltd.	508,764.46			508,764.46
Xinlu Pharmaceutical Co., Ltd.	20,124,795.57			20,124,795.57
Nanjing Yinmao	204,847,809.86			204,847,809.86
Shanghai Aowei Technology Co.		85,809,605.90		85,809,605.90
Xinzhu Co. *3		221,186,927.47		221,186,927.47
Guanghan Urban Gas Co. *3		3,295,469.93		3,295,469.93
Sichuan Hanlong High-tech Development Co. *3		71,225,951.18		71,225,951.18

Name of investee	Beginning Balance	Increase during the year	Decrease during the year	Ending balance
Baotou Menghan Industrial Co. *3		26,050,203.41		26,050,203.41
Mianyang Fenggu Wine Co. *3		573,768,900.15		573,768,900.15
Panlong Wine Co. *3		7,642,255.08		7,642,255.08
Deyang Gas Co. *3		624,855,689.66		624,855,689.66
Mianyang Xiaodao Construction Development Co. *3		383,174,649.33		383,174,649.33
Hanlong Expressway Development Co. *3		169,737,561.63		169,737,561.63
Mianyang Yiduoyuan Real Estate Co. *3		45,832,627.66		45,832,627.66
Sichuan Kaida Industrial Co. *3		204,889.13		204,889.13
Sichuan Yiyuan Investment Co. *3		13,518,760.06		13,518,760.06
Guanghan Jiade Industrial Co. *3		222,701,200.00		222,701,200.00
Hanlong Industrial Development Co. *3		207,022.53		207,022.53
Yintai Business Co. *3		5,791,885.01		5,791,885.01
Total	**1,608,751,014.54**	**2,767,634,860.99**	**295,655.57**	**4,376,090,219.96**

*1. The increase is adjusted the goodwill confirmed in last year

*2. The consolidation of the Group contributes to the increase of the goodwill

*3. The goodwill of Guoke Co. and Xinzhu Co.

(2) Provision for impairment of goodwill

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Sunfor Light	456,297,553.43			456,297,553.43
Beijing Shuchuan Xinhua Bookstore Book Publishing Co., Ltd.	544,629.46			544,629.46
Sichuan Xinhuashang Paper Co., Ltd.	3,306,977.07			3,306,977.07
Chengdu Huagao Pharmaceutical Co.	2,669,936.04			2,669,936.04
Deyang Gas Co.		407,133,227.70		407,133,227.70
Hanlong Expressway Development Co.		169,737,561.63		169,737,561.63
Total	**462,819,096.00**	**576,870,789.33**		**1,039,689,885.33**

Note: the increase of the provision for impairment is from Guoke Co., the new merged company.

18. Long-term deferred expense

Item	Beginning balance	Increase during the year	Amortization in current year	Decrease during the year	Ending balance
Road renovation projects and preventive maintenance projects.	479,346,558.56	151,840,377.00	194,063,214.65		437,123,720.91
Decoration and reconstruction expense	152,951,829.29	132,026,931.69	61,510,671.03	1,063,955.88	222,404,134.07
Gas station assets improvement expenditures	31,413,452.05	5,966,768.81	4,434,188.05		32,946,032.81
Other small projects	247,621,026.77	296,638,655.57	181,282,373.71	13,782,024.70	349,195,283.93
Total	**911,332,866.67**	**586,472,733.07**	**441,290,447.44**	**14,845,980.58**	**1,041,669,171.72**

19. Deferred tax assets

Item	Ending balance	Beginning balance
Provision for asset impairment	831,102,865.38	637,805,771.73
Deductible tax losses	163,839,883.77	140,904,960.68
Income tax effect of deferred payment of employee benefits payable	8,601,861.91	4,638,408.41
Accrued liabilities	160,464,560.49	815,737.07
Internal unrealized profits	430,389,289.91	424,997,229.13
Deferred income	36,069,104.51	26,571,684.95
Accrual interest	7,799,880.04	7,799,029.53
Services Area management fee	88,837,350.23	4,786,480.64
Change in fair value of available-for-sale financial assets	226,452,382.56	
Change in fair value of tradable financial assets	207,824,290.21	
Total	**2,161,381,469.01**	**1,248,319,302.14**

20. Other non-current assets

Item	Ending balance		Beginning balance	
	Original value	Provision for impairment	Original value	Provision for impairment
Long-term debt investments *1	7,987,094,215.01	2,077,099,341.35	8,195,625,612.23	1,996,600,191.35
Prepayment of fixed asset	71,648,575.32		1,267,848,337.00	
Temporary facilities and other*2	11,972,649,952.24	6,479,621.70	4,956,385,424.77	12,378,983.46
Joint venture Railway Assets *3	49,901,191,112.13		45,348,630,634.07	

Item	Ending balance		Beginning balance	
	Original value	Provision for impairment	Original value	Provision for impairment
Hosting assets of national agricultural comprehensive development industrialization project*4	11,975,382,994.37	33,134,100.00	6,826,114,572.41	23,250,000.00
Total	**81,907,966,849.07**	**2,116,713,063.05**	**66,594,604,580.48**	**2,032,229,174.81**

*1. Mainly long-term debt investments made by Hydropower Group in urban grids and rural grids.

*2. Mainly prepayment for land, prepayment for project, and prepayment for capital, totalling 8.633 billion.

*3. As for the details of joint venture railway, please refer to Note XIII 2 Railway Investment Group report ofjoint venture railway.

*4. State-Owned Assets Investment escrowed National Agricultural Comprehensive Development Industrial Project Assets, a total 31 projects, among which the company escrowed Sichuan Guonong Investment Management Co. amounted to RMB 11.942 billion.

21. Breakdown of impairment provision of assets

Item	Beginning balance	Increase during the year			Decrease during the year			Ending balance
		Accrued in this year	Increased by consolidation	Other increase	Decrease by consolidation	Other decrease	Write-off	
Provision for bad debts	5,591,414,010.83	905,957,458.21	3,796,769,833.46	22,484,575.86	9,242,374.98		675,185.78	10,306,708,317.60
Provision for impairment of inventory	357,185,817.23	232,036,805.96	13,756,486.30	121,839.79	-	-	73,197,292.04	529,903,657.24
Loan loss provision	230,996,996.70	66,655,081.62	-	-	-	-	55,539,000.00	242,113,078.32
Provision for impairment of financial assets available- for-sale	220,416,115.93	339,985,009.53	12,495,991.94	1,200,000.00	-	-	19,493,384.24	554,603,733.16
Provision for held to maturity investments	3,000,000.00	-	-	-	-	-	-	3,000,000.00
Provision for impairment of long-term receivables	1,009,113,068.65	261,925,780.15	5,980,238.57	4,750,000.00	-	-	832,500.00	1,280,936,587.37
Provision for impairment of long-term equity investment	130,628,290.21	78,587,474.45	9,388,291.46	17,536,325.58	-	1,200,000.01	7,542,613.82	227,397,767.87
Provision for impairment of investment properties	6,247,609.23	-	-	-	-	79,671.80	-	6,167,937.43
Provision for fixed assets impairment	1,762,383,351.65	23,741,954.65	18,252,931.94	18,598.00	-	13,360,294.84	8,339,589.12	1,782,696,952.28
Provision for construction in progress	36,966,779.91	39,284,908.05	918,682.00	561,499.00	-	4,327,443.16	-	73,404,425.80
Provision for impairment of productive biological assets	53,533.15	-	-	-	-	-	-	53,533.15
Provision for non-current assets maturing within 1 year	107,922,436.46	-53,100,760.84	-	1,158,000.00	-	-	-	55,979,675.62
Provision for intangible assets impairment	2,888,345,669.28	1,073,926.29	12,458.01	-	-	-	-	2,889,432,053.58
Provision for goodwill impairment	462,819,096.00	-	576,870,789.33	-	-	-	-	1,039,689,885.33
Provision for impairment of other current assets	612,590,395.24	3,959,750.00	-	18,125,391.54	-	17,100,000.00	89,475,395.24	528,100,141.54
Provision for other non-current assets	2,032,229,174.81	98,502,971.70	-		-	6,104,000.00	7,915,083.46	2,116,713,063.05
Total	**15,452,312,345.28**	**1,998,610,359.77**	**4,434,445,703.01**	**65,956,229.77**	**9,242,374.98**	**42,171,409.81**	**263,010,043.70**	**21,636,900,809.34**

22. Short-term loan

Category	Ending balance	Beginning balance
Pledged loan	236,195,980.80	1,030,612,829.40
Mortgage loan	1,093,353,870.65	598,700,000.00
Guaranteed loan	6,485,126,360.68	6,562,800,000.00
Credit loan	31,235,892,734.64	28,585,520,990.94
Transform from notes payable, and letter of credit	206,973,615.04	
Total	**39,257,542,561.81**	**36,777,633,820.34**

1. Overdue short-term loan as of December 31, 2018

Items	Ending balance	Overdue time
CITIC Chengdu Branch	79,998,066.76	2018-02-28
Mianyang Commercial Bank Chengxi Branch	56,220,000.00	2014-2-5
Great Wall West China Bank Changjiang Branch	20,000,000.00	2013-6-7
Great Wall West China Bank Co., Ltd	30,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Hengfeng Bank	45,995,308.83	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Huaxia Bank Hongxing Branch	30,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Great Wall West China Bank Chengdu Branch	50,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Minsheng Bank (transformed from notes payable）	99,996,288.05	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Hengfeng Bank (transformed from notes payable)	50,000,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Evebright Bank (transformed from letter of credit payable)	16,177,326.99	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Evebright Bank (transformed from letter of credit payable)	40,800,000.00	Not Clear, the loan has been overdue when the company started appraisal of assets during 2015
Total	**519,186,990.63**	

Note: The overdue short-term loans stated above are loans from asset packages from Hanlong Group received by Guoke Co. Please see the details in Note XIII 9.

23. Notes & accounts payable

Item	Closing balance	Opening balance
Notes payable	1,932,348,205.60	1,186,001,132.85

Item	Closing balance	Opening balance
Accounts payable	43,347,251,639.32	31,312,254,515.25
Total	**45,279,599,844.92**	**32,498,255,648.10**

(1) Notes payables

Category	Ending balance	Beginning balance
Bank acceptance notes	1,603,079,442.54	1,070,414,349.44
Commercial acceptance notes	329,268,763.06	115,586,783.41
Total	**1,932,348,205.60**	**1,186,001,132.85**

(2) Account payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	34,455,309,288.56	22,701,657,338.25
1-2 years (including 2 years)	5,762,393,331.94	5,857,591,903.13
2-3 years (including 3 years)	1,497,920,989.11	1,531,861,884.47
Over 3 years	1,631,628,029.71	1,221,143,389.40
Total	**43,347,251,639.32**	**31,312,254,515.25**

24. Advances from customers

Age	Ending balance	Beginning balance
Within 1 year (including 1 year)	10,988,549,851.27	8,130,109,994.07
Over 1 year	1,876,291,516.36	2,799,691,136.13
Total	**12,864,841,367.63**	**10,929,801,130.20**

Large-amount accounts received in advance with aging over 1 year:

Creditor	Ending balance	Reasons for non-transfer
Innner Mongolia Senior Highway Co., Ltd	194,829,225.62	Project unfinished
Payment in advance of house in Binjiang Tiandi	193,733,679.00	Properties are not handed
Muli Tibetan Autonomous Region	136,785,760.30	Project unfinished
Sichuan Mianjiu Expressway Co.	89,822,721.00	Project unfinished
Yaoluanxi Expressway Construction Co.	79,592,279.00	Project unfinished
Guangan Finance Bureau	40,961,690.27	Construction unsettled
Zhang Hongsheng and other 10 persons	21,560,000.00	Unqualified the settlement conditions
Electricity Supply Station of East	21,261,526.22	Pay electricity in advance (nature of deposits)
Sichuan No. 1 Construction Engineering Company	16,511,030.25	Construction unsettled
Yaan Transport Bureau	14,174,000.00	Unqualified for the revenue recognition

Creditor	Ending balance	Reasons for non-transfer
China Telecom Sichuan Branch	13,425,171.67	Pipe Leasing fees for 15 years and long-term deferred expense from June 2014 to June 2024
Pengshan Development Holding Co.	10,161,509.44	Unqualified for the revenue recognition
Total	**832,818,592.77**	

25. Employee benefits payable

(1) Category of employees' payables

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Short-term payroll	2,485,590,242.02	11,475,414,812.95	10,771,077,064.66	3,189,927,990.31
Post-employment - the defined contribution plan	131,936,126.49	1,345,857,558.11	1,325,499,299.46	152,294,385.14
Resignation benefit	1,235,911.00	45,408,579.12	36,627,946.91	10,016,543.21
Others	22,068,444.03	2,698,241.80	24,279,377.54	487,308.29
Total	**2,640,830,723.54**	**12,869,379,191.98**	**12,157,483,688.57**	**3,352,726,226.95**

(2) Short-term payroll

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Salaries, bonus, allowances and subsidies	2,180,231,570.86	9,191,074,450.58	8,558,411,224.58	2,812,894,796.86
Employees' benefits	24,213,050.38	507,851,717.66	507,449,607.16	24,615,160.88
Social insurance premiums	19,969,131.16	609,773,784.18	612,412,625.44	17,330,289.90
Including:: medical insurance premiums	12,826,630.81	494,514,733.77	495,772,979.30	11,568,385.28
Supplementary pension insurance	5,020.79	5,077,133.75	4,603,535.02	478,619.52
Labor injury insurance	3,360,111.56	48,609,346.88	48,530,328.06	3,439,130.38
Maternity insurance	2,205,980.12	38,352,354.14	38,745,902.70	1,812,431.56
Other comprehensive insurance	1,571,387.88	23,220,215.64	24,759,880.36	31,723.16
Public housing fund	32,741,032.83	693,217,508.23	688,409,443.11	37,549,097.95
Union and staff education fund	226,803,421.12	310,904,383.07	249,230,203.75	288,477,600.44
Others	1,632,035.67	162,592,969.23	155,163,960.62	9,061,044.28
Total	**2,485,590,242.02**	**11,475,414,812.95**	**10,771,077,064.66**	**3,189,927,990.31**

(3) The defined contribution plans

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Basic pension insurance	84,186,631.60	1,150,264,030.89	1,159,707,325.39	74,743,337.10
Unemployment insurance	10,742,167.53	40,010,405.15	38,879,073.90	11,873,498.78
Annuity	37,007,327.36	155,583,122.07	126,912,900.17	65,677,549.26
Total	**131,936,126.49**	**1,345,857,558.11**	**1,325,499,299.46**	**152,294,385.14**

26. Taxes payables

Item	Ending balance	Beginning balance
VAT	1,073,696,055.17	658,064,099.89
Business tax	1,091,491.17	28,547,321.64
Consumption tax	352,602,802.99	
Corporate income tax	1,503,832,985.67	1,039,489,181.39
Urban maintenance and construction tax	81,187,825.08	38,267,431.60
Stamp tax	31,616,384.55	21,876,109.42
Property tax	34,835,445.14	8,763,613.01
Land use tax	46,347,583.41	11,061,571.68
Individual income tax	39,363,679.16	41,871,196.28
Education surcharge	42,927,761.58	28,791,559.25
Other taxes	147,028,795.57	228,959,183.01
Total	**3,354,530,809.49**	**2,105,691,267.17**

27. Other payable

Items	Closing balance	Opening balance
Interest payable	4,586,380,893.93	2,513,784,554.24
Dividend payable	788,772,270.57	886,792,554.45
Other payable	27,512,697,655.20	20,634,360,808.39
Total	**32,887,850,819.70**	**24,034,937,917.08**

(1) Interest payable

Item	Ending balance	Beginning balance
Borrowing interest*1	2,062,104,025.98	1,295,368,024.99
Corporate bond interest	2,135,301,847.06	1,020,878,491.64
Short-term financing bill interest	201,470,799.73	154,403,888.92
Financial leasing interest	1,725,454.00	34,845,025.39
Others*2	185,778,767.16	8,289,123.30
Total	**4,586,380,893.93**	**2,513,784,554.24**

*1. The overdue loan interest payable was 863,956,061.94 when Guoke Co. received Hanlong Asset package as of December 31, 2018.

*2. Mainly the interest payable for preferential partners.

(2) Other payable

Age	Ending balance	Beginning balance
Within 1 year (inclusive)	4,972,815,045.04	9,232,272,477.79
1-2 years (including 2 years)	6,098,204,942.70	4,896,921,382.91
2-3 years (including 3 years)	6,677,560,559.09	5,111,705,419.87
Over 3 years *1	9,764,117,108.37	1,393,461,527.82
Total	**27,512,697,655.20**	**20,634,360,808.39**

*1. Other payables over 3 years mainly contain the construction payable and security deposit of Sichuan Communications and Railway Investment Group and the Guoke Co. that was consolidated during this year.

28. Insurance contract reserves

Item	Ending balance	Beginning balance
Unearned premium reserve	80,261,469.60	68,468,895.30
Guarantee reserve	419,471,067.97	353,298,221.61
Total	**499,732,537.57**	**421,767,116.91**

29. Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long term borrowings due within one year	39,487,412,494.39	23,713,368,457.21
Including: Pledge borrowings	2,682,537,700.12	9,198,177,698.89
Mortgage Loan	1,347,984,215.81	1,994,577,150.00
Guaranteed loan	2,977,297,047.76	4,000,657,814.22
Credit loan	32,479,593,530.70	8,519,955,794.10
Long-term debenture due within 1 year	7,391,680,691.85	14,586,867,457.73
Long-term payables due within 1 year	1,097,755,096.22	661,129,274.56
Other long-term liabilities due within 1 year	225,370,826.44	118,492,741.57
Total	**48,202,219,108.90**	**39,079,857,931.07**

30. Other current liabilities

Item	Ending balance	Beginning balance
Short term bonds payable	6,894,451,372.27	3,998,433,333.33
Pending output tax	1,779,404,998.36	971,907,294.03
Others	204,891,566.46	57,955,761.27

Item	Ending balance	Beginning balance
Total	**8,878,747,937.09**	**5,028,296,388.63**

The balance of the short-term bonds payable at the end of this year were mainly RMB 4.2 billion, 1.6 billion and 1.1 billion short-term financing bonds approved by association of financial market institutional investors and issued by Energy Investment Group, Railway Investment and Sichuan Communications respectively. The term of such bonds was between 180 and 365 days, the interest rate ranged from 3.64% to 7%, and interests and principals shall be paid upon maturity.

31. Long-term borrowing

(1) Classification of long-term borrowings

Category	Closing balance	Beginning balance
Pledged loan	191,480,820,892.36	177,489,729,507.03
Mortgage Loan	14,683,917,416.03	9,476,394,906.89
Guaranteed loan	121,524,898,907.81	123,915,636,505.66
Credit loan	116,374,187,087.24	94,868,163,867.32
Total	**444,063,824,303.44**	**405,749,924,786.90**

(2) Overdue long-term borrowings as at 31 December, 2018

Item	Closing balance	Interest rate	Overdue time	Overdue interest
Great Wall West Bank	296,000,000.00	8.61%	2015-10-22	
China Development Bank Sichuan Branch	33,121,413.72	4.90%	2018-12-31	
Total	**329,121,413.72**			

Note: the overdue long-term borrowings belong to Hanlong Asset Package purchased by Guoke Co.

32. Bonds payable

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Medium-term notes	23,000,000,000.00	27,171,890,000.00	300,000,000.00	49,871,890,000.00
Private debt financing instruments	5,000,000,000.00	4,100,000,000.00	4,500,000,000.00	4,600,000,000.00
Corporate bonds	16,100,000,000.00	10,850,000,000.00	2,600,000,000.00	24,350,000,000.00
Less: unrecognised financial charges	151,060,257.87	137,489,540.08	56,746,535.59	231,803,262.36
Including: medium-term notes	81,630,132.41	121,170,725.06	18,151,942.63	184,648,914.84
Private debt financing instruments	11,194,490.92	11,905,821.20	11,194,490.92	11,905,821.20

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Corporate bonds	58,235,634.54	4,412,993.82	27,400,102.04	35,248,526.32
Total	**43,948,939,742.13**	**41,984,400,459.92**	**7,343,253,464.41**	**78,590,086,737.64**

(1) Breakdown of medium-term notes (Unit: in RMB 10 thousand)

Issuer	Date of issue	Term	Issue amount	Nominal interest rate
The Company	2015	5 years	300,000.00	4.18%
The Company	2017	5 years	300,000.00	4.76%
The Company	2018	3 years	300,000.00	4.99%
Hydropower Group	2015	5 years	50,000.00	5.70%
Hydropower Group	2017	5+2 years	100,000.00	4.76%
Hydropower Group	2018	3 years	100,000.00	5.65%
Railway Investment Group	2016	5 years	250,000.00	3.69%
Railway Investment Group	2016	5 years	250,000.00	4.00%
Railway Investment Group	2018	5 years	300,000.00	6.06%
Railway Investment Group	2018	5 years	300,000.00	5.45%
Sichuan Expressway Company	2016	5 years	200,000.00	3.29%
Sichuan Expressway Company	2017	5 years	200,000.00	4.95%
Sichuan Expressway Company	2018	5 years	200,000.00	5.95%
Sichuan Expressway Company	2018	5 years	100,000.00	5.37%
Chengyu Expressway	2015	5 years	120,000.00	3.65%
Sichuan Communications	2014	7 years	150,000.00	5.70%
Sichuan Communications	2015	5 years	250,000.00	4.40%
Sichuan Communications	2017	5 years	100,000.00	5.58%
Sichuan Communications	2018	3 years	200,000.00	5.69%
Sichuan Communications	2018	3 years	350,000.00	5.34%
Sichuan Communications	2018	5 years	150,000.00	5.55%
Sichuan Communications	2018	3 years	240,814.00	4.75%
Development International	2018	3 years	346,375.00	4.80%
State-Owned Assets Operation	2018	3 years	30,000.00	5.27%
Asset Management	2018	3 years	50,000.00	6.50%
Asset Management	2018	3 years	50,000.00	6.40%
Total			**4,987,189.00**	

(2) Breakdown of the corporate bonds at the end of the year (Unit: in RMB 10 thousand)

Issuer	Date of issue	Bond term	Issue amount	Nominal interest rate
The Company	2016	10 years	300,000.00	3.90%
The Company	2017	5 years fixed term+ 2 years optional	400,000.00	5.09%
The Company	2018	5 years fixed term+ 2 years optional	300,000.00	5.17%
The Company	2018	5 years fixed term+ 2 years optional	200,000.00	4.55%
Hydropower Group	2016	5 years	100,000.00	3.38%
Hydropower Group	2016	5 years	100,000.00	3.44%
Hydropower Group	2016	5 years	100,000.00	3.35%
Hydropower Group	2017	5 years	180,000.00	5.58%
Railway Investment Group	2018	5 years	257,000.00	6.29%
Railway Investment Group	2018	5 years	100,000.00	6.00%
Railway Investment Group	2018	5 years	102,000.00	5.99%
Railway Investment Group	2018	5 years	56,000.00	6.29%
Chengyu Expressway	2016	5 years	100,000.00	3.48%
Port and Channel Company	2013	5 years fixed term+ 2 years optional	70,000.00	6.15%
Port and Channel Company	2018	3 years	70,000.00	5.39%
Total			**2,435,000.00**	

33. Long-term payable

Item	Ending balance	Beginning balance
long-term payable	22,232,724,341.72	15,107,490,272.85
Special payable	13,945,932,613.81	13,879,857,220.46
Total	**36,178,656,955.53**	**28,987,347,493.31**

(1). long-term payable

Item	Ending balance	Beginning balance
Sichuan Hongyao Property Development Company *1	33,967,650.09	33,967,650.09
Sichuan Fulike Property Investment Co., Ltd. *2	2,000,000.00	40,000,000.00
Financial leasing payable	9,671,748,041.43	7,689,440,109.62
Borrowings of Chengdu Expressway Construction and Development Co., Ltd.*3	220,000,000.00	220,000,000.00
Agricultural Development Bank of China*4	-	6,150,080,000.00
Sichuan Guonong Investment and management Co. *4	11,300,000,000.00	
Others	1,005,008,650.20	974,002,513.14
Total	**22,232,724,341.72**	**15,107,490,272.85**

*1 Project investment funds received by Sichuan Guochuang Ruizhan Land Co., Ltd. (hereinafter referred to as Guochuang Company), a subsidiary of State-Owned Assets Operation, from Sichuan Hongyao Property Development Co., Ltd. (hereinafter referred to as Hongyao Company) when Guochuang Company cooperated with Hongyao Company in developing 01-(07)-110 plot of Fengjiawan Industrial Park in High-Tech Area.

*2 Investment funds received from Sichuan Fulike Property Investment Co., Ltd. (hereinafter referred to as Fulike Company) in the joint house construction project between Sichuan Xinlu Pharmaceutical Co., Ltd., a subsidiary of State-Owned Assets Investment, and Fulike Company.

*3 Borrowings provided by Chengdu Ring Expressway (West Section) Co., Ltd, a subsidiary of Sichuan Communications, to its shareholder Chengdu Expressway Construction and Development Co., Ltd.

*4. A bank loan which is the project capital for poverty alleviation and relocation which is undertaken by State-owned Assets Co., It in accordance with the provisions of the provincial financial debt limit management, and the provincial financial will co-ordinate organization to repay. Debts formed by marketization of loans other than bank loans listed on the project will not be included in local government debt; the contract amount is RMB 11.30 billion. The loan period is 120 months, from December 31, 2015 to December 31, 2025the annual interest rate of loans is 3.92%. As of May 2018, State-owned Assets Co. drawdown 11.3 billion from Agricultural Development Bank of China by installment.

Pursuant to the Notice About Do the Job of Exchange 2018 Stock Government Debts issued by MOF in Sichuan and Notice About Apply for Prepaying the Special Fund of Relocation Program for Poverty Alleviation issued by Guonong Investment, Guonong Investment prepaid the loan amounted to 11.3 billion.

The source of funds for prepayment the loan above is the appropriation funds, subjected to Sichuan MOF related regulations, to government participating the relocation program for poverty alleviation. The local government repaid the loan provided by Guonong Investment using the appropriation funds, and Guonong Investment give the capital to Guoyuan Agricultural in the form of accounts as stated in the format above amounted to 11.3 billion. The Guoyuan Agricultural completed the relocation program using the 11.3 billion.

(2). Special payables

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total	**13,879,857,220.46**	**16,479,167,876.15**	**16,413,092,482.80**	**13,945,932,613.81**
Including:				
Financial capital*1	5,086,024,500.00			5,086,024,500.00
Special funds*2	80,000,000.00	10,262,467,100.00	10,262,467,100.00	80,000,000.00
Railway capital appropriated by the local government*3	7,370,824,734.73	49,800,000.00	-	7,420,624,734.73

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Funds for repayment of loans relating to rural power grids*4	237,978,992.31	1,728,423,106.61	1,905,336,917.21	61,065,181.71
Funds appropriated with the authorization of the department of finance*5		2,422,428,400.00	2,392,408,400.00	30,020,000.00

*1. Financial capital is that appropriated by Department of Finance of Sichuan Province to the Company according to the Notice Concerning the Conveyance of Budget Indicator of Registered Capital of Sichuan Development Holding Co., Ltd. (Chuan Cai Jian [2009] No. 168).

*2. The increase of special funds during the year shall be attributable to the project funds specially appropriated by Sichuan MOF to the Company and its subsidiaries, among which the special funds for major transportation projects shall be RMB 2.28 billion; the compensation for car purchasing tax shall be RMB 6.6338 billion; the capital funds for port construction shall be RMB 0.4 billion; the capital funds for upgrading agricultural grid shall be 150 million the capital funds; the capital funds for infrastructure shall be 563.6671 million, capital funds for Airport Group, Energy Investment Group shall be 235 million.

The decrease in special funds of this year is due to the appropriation subjected to the regulation. The special funds transferred to capital reserves amounted to 10,027.4671 million and to paid-up capital amounted to 235 million.

*3. The capital fund appropriated by the local governments for railway projects shall mean investments made by Railway Investment Group in ministerial and provincial railway projects on behalf of districts cities and prefectures according to the Minutes of Meeting of Preliminary Work Coordination Committee of Chengxi, Chenggui and Chengyu Passenger Dedicated Railway Projects issued by Sichuan Development and Reform Commission.

*4. Funds for repayment of loans relating to rural power grids are special funds appropriated by the Department of Finance of Sichuan Province to Hydropower Group for repayment of loans relating to rural power grids.

*5. Funds appropriated with the authorization of the department of finance are funds appropriated by the Department of Finance of Sichuan Province to the Company.

34. Provisions

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Estimated pending action loss	11,351,773.40	536,910,680.00	8,061,325.13	540,201,128.27
Provision for return of goods	11,891,779.02	36,987,713.70		48,879,492.72

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
BOT expressway pavement rehabilitation obligations	173,562,824.37	75,905,624.24		249,468,448.61
Compensation for interest on government debt *1	371,475,303.66		60,972,458.79	310,502,844.87
Accrued interest on committed share of the transferee fund *2	354,893,717.76		44,145,625.69	310,748,092.07
Others	15,222,347.25	228,238,070.73	2,506,735.00	240,953,682.98
Total	**938,397,745.46**	**878,042,088.67**	**115,686,144.61**	**1,700,753,689.52**

*1: For the detail of compensation for interest on government debt, please refers to the Note XIII (3) .

*2: For the detail of accrued interest on committed share of the transferee fund, please refers to the Note IX Commitment (1) 6/7/8.

35. Deferred income

Item/Category	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Total	**2,851,523,543.24**	**1,275,439,998.71**	**798,897,539.04**	**3,328,066,002.91**
Including:				
Lipan land acquisition and relocation funds, and research funds *1	340,000,000.00	324,858,834.24		664,858,834.24
Relocation subsidies	47,421,582.92		3,248,007.23	44,173,575.69
Allocations to after-disaster recovery and reconstruction projects *2	131,405,749.85		4,941,352.47	126,464,397.38
West China Cultural Industry Park *3	148,869,633.79		4,669,278.33	144,200,355.46
Land compensatory funds *4	81,298,060.53		7,699,537.67	73,598,522.86
Nanchong Port Construction Subsidies *5	405,030,387.50	5,000,000.00	102,632,418.12	307,397,969.38
Guang'an Port Construction Subsidies *6	65,355,997.46			65,355,997.46
Operating compensation funds*7	75,800,000.00		47,900,000.00	27,900,000.00
Reconstruction and expanding of South Yibin *8	46,100,000.00	20,000,000.00		66,100,000.00
Jinkun Highway G5 Mianyang(Jinjialin), Mianyang	65,000,000.00		65,000,000.00	-

Item/Category	Beginning balance	Increase during the year	Decrease during the year	Ending balance
South(Mojia) toll station construction				
Subsidy for books	85,613,742.16	33,030,529.49	26,825,204.01	91,819,067.64
Relocation program*9		198,850,586.42	9,157,837.81	189,692,748.61

*1. Lipan land acquisition and relocation funds and scientific research funds include land acquisition and relocation funds of RMB340 million allocated by Panzhihua Municipal Government according to the Lipan Expressway Investment Agreement with Sichuan Expressway Company.

*2. Allocations to after-disaster recovery and reconstruction projects are special funds allocated by the department of finance to Xinhua Group for earthquake relief.

*3. Financial allocations to West China Cultural Industry Park are special funds for central cultural industry development allocated by the Department of Finance of Sichuan Province to Xinhua Group and subsidies for purchase of special-effect digital audio-visual equipment for special-effect video and digital entertainment experience center project of the cultural industry park project.

*4. Land compensatory funds shall refer to the compensation funds received by Sichuan Rongcheng Second Ring Expressway Development Co., Ltd for using lands in the construction of Tianfu New Area “three vertical” projects and second ring expressway interchange systems.

*5. Construction subsidies appropriated by Nanchong Municipal People’s Government to Nanchong Dujing Port Co., Ltd.

*6. Guang’an Port Construction Subsidies shall refer to the subsidiary funds appropriated by Guang’an People’s Government to Sichuan Guang’an Chengping Port Co., Ltd. for the construction of Guang’an Chengping Port.

*7. According to Le Fu Chang Ding [2013] No.44 document, Sichuan Communications received financial interest subsidies of Leya Highways E’mei line.

*8. On October 31 2014, Southern Sichuan Expressway Co., Ltd (Party B), a subsidiary of Sichuan Expressway Company, signed Compensation Agreement for the Change and Expansion Construction Project of the Southern Yibin Entrant to the G85 Yunkun Expressway with YibinLongyu Water Investment Co., Ltd (Party A), according to the agreement: Party A agreed to compensate Party B for the operation loss and the compensation amount is of RMB 137 million (subject to fiscal audit).

*9. Relocation program is reclassified from other non-current liability to deferred income.

36. Deferred tax liabilities

Recognized deferred income tax liabilities	Ending balance	Beginning balance
Appreciation of long-term assets valuation	2,380,093,346.55	1,591,205,279.87
Change in fair value of financial assets held for trading	642,996,140.24	979,215,695.98
Depreciation of fixed asset	2,025,128.34	341,438.09
Long-term receivables	61,365,239.21	35,915,111.20
Change in fair value of financial assets available-for-sale	49,110,472.23	75,392,377.67
Highway operation rights tax benefit recouped in previous years of Intangible assets	2,258,320.10	2,663,261.67
Equity exchange income*1	611,581,889.34	949,383,843.77
Gains or loss from Residual equity measured by fair value after losing control*2	206,889,992.05	
Others	52,853,200.57	39,036,235.22
Total	**4,009,173,728.63**	**3,673,153,243.47**

*1. Equity exchange income is the gain on the deferred tax recognized in 2016 by Energy Investment Group in exchange for its stake in Sanxia Jinsha Jiangchuanyun Hydropower development Co., Ltd.

*2. The deductible temporary differences arising from gains or loss from residual equity measured by fair value after losing control is due to the Land Co.'s disposal of 5 project corporations in Renshou.

37. Other non-current liabilities

Item	Ending balance	Beginning balance
Pingshan relocation special funds		46,285,532.51
Guojin-jinshi 1st Leasing ABS		271,137,837.95
New-China Trust Co.	185,691,112.00	298,661,112.00
Equity investment plan of Sichuan Energy Investment and PICC CAPITAL INVESTMENT MANAGEMENT Co. *1		2,490,000,000.00
Compensation for occupation in Chengpeng Expressway	20,287,830.66	21,809,417.94
Payable for airport and provisions for airport maintenance	24,273,209.84	
payable for construction payable transferred from Yunnan Shuima Expressway	21,984,458.00	
Unsettled construction received in advance (Pengxi's Government)	42,810,000.00	
Unsettled construction received in advance (Management Committee of Suining Jinqiao)	35,000,000.00	
Funds received in advance in real estate	374,467,394.00	
Receivables over 1 year	24,721,449.19	
Others	20,000,000.00	20,000,000.00
Total	**749,235,453.69**	**3,147,893,900.40**

*1. Reclassification of the liability to long-term borrowings contributed to the decrease

38. Paid-up capital

Name of Investor	Book value as of the beginning of the year		Increase during the year (0000)	Decrease during the year(0000)	Book value as of the end of the year	
	Amount of investment(0000)	%			Amount of investment(0000)	%
State-Owned Assets Supervision & Administration Commission of Sichuan Province	6,775,606.00	100.00	23,500.00		6,799,106.00	100.00
Total	**6,775,606.00**	**100.00**	**23,500.00**		**6,799,106.00**	**100.00**

For the detail of the paid-in-capital, please refers to Note I General Information.

39. Capital reserves

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
1. Capital (share capital) premium	37,030,710,887.49	10,027,467,100.00		47,058,177,987.49
2. Other capital reserve	50,277,573,514.77	5,954,764,326.56	859,863,645.60	55,372,474,195.73
(1) Change in other equities of the investee and others	8,107,014,077.44	5,729,060,604.52	106,955.33	13,835,967,726.63
(2)Others	42,170,559,437.33	225,703,722.04	859,756,690.27	41,536,506,469.10
Total	**87,308,284,402.26**	**15,982,231,426.56**	**859,863,645.60**	**102,430,652,183.22**

(1) The increases in capital reserve-capital premium are mainly due to:

a. Pursuant to stipulation (Chuan Cai Jian [2017] No.238), the Communications Group received RMB 4,133.80 million from vehicle purchase tax from Sichuan MOF, as the fund for local transportation significant projects;

b. Pursuant to stipulation (Chuan Cai Jian [2018] No.109), the Communications Group received RMB 800.00 million from vehicle purchase tax from Sichuan MOF, as the 3rd round fund for local significant projects;

c. Pursuant to stipulation (Chuan Cai Jian [2018] No.132), the Communications Group received RMB 1,700.00 million from vehicle purchase tax from Sichuan MOF, as the 6th round fund for local significant projects;

d. Pursuant to stipulation (Chuan Cai Jian [2018] No.111), the Communications Group received RMB 400.00 million from Sichuan MOF, as the fund for port construction;

e. Pursuant to stipulations (Chuan Cai Tou [2018] No.49 and Chuan Cai Tou [2018] No.82), Hydropower Investment and Operation Group received RMB 150 million as the fund for rural grid network upgradation.

f. Pursuant to stipulation (Chuan Cai Tou [2018] No.157), the Communications Group received RMB 500.00 million from Sichuan MOF, as the fund for river construction like Yangtze River etc.;

g. Pursuant to stipulation (Chuan Cai Tou [2018] No.197), the Communications Group received RMB 463.6671 million from Sichuan MOF as the fund for railway of Chengdu to Nanchong to dazhou, Minjiang Longxi Navigation-power junction's project, and Mabian- Zhaojue part of Lexi Expressway.

h. Pursuant to stipulation (Chuan Cai Jian [2018] No.15), the Communications Group received RMB 30.00 million from Sichuan MOF as the fund for significant construction of water carriage and upgradation of premium channel.

i. Pursuant to stipulation (Chuan Cai Tou [2018] No.107), the Railway Investment Group received RMB 100.00 million from Sichuan MOF as the special fund for green development in Yangtze Economic Zone.

j. Pursuant to stipulation (Chuan Cai Tou [2018] No.62), the Railway Investment Group (Chenglan Railway, Chengkun Railway construction), the Communications Group (Minjiang Longxikou Navigation-power junction project), the Communications Group (Mabian- Zhaojue part of Lexi Expressway) received RMB 1,000.00 million, 200.00 million and 200.00 million respectively.

(2) Other capital reserve

The other changes in capital reserve premium are mainly due to the appreciation of land transferred from Timber Integrated Co. amounted to RMB 186.7222 million. The other changes in capital reserve are mainly due to the following reasons:

The gratuitous transfer of Development Investment from the Company to Energy Investment Group decreased the other capital reserve amounted to 600.00 million; the purchase of Guorun Environment's equity from the minority shareholders decreased the other capital reserve amounted to 88.9443 million; minority shareholders of Energy Development Co., the subsidiary of Energy Investment Group, increasing capital decreased the other capital reserve amounted to 74.4800 million; purchase of shares of Sichuan Chemical from secondary market decreased the other capital reserve amounted to 39.64 million.

40. Special reserves

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Safety production expenses	85,136,613.54	385,058,083.65	441,510,327.69	28,684,369.50
Maintenance cost	9,024,826.35	11,112,776.06	9,954,831.11	10,182,771.30
Total	**94,161,439.89**	**396,170,859.71**	**451,465,158.80**	**38,867,140.80**

41. Surplus reserve

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Legal earned surplus reserve	758,955,766.57	20,312,279.11		779,268,045.68
Total	**758,955,766.57**	**20,312,279.11**		**779,268,045.68**

42. General risk reserve

Item	Ending balance	Beginning balance
General risk reserve	85,966,956.69	20,377,351.10
Total	**85,966,956.69**	**20,377,351.10**

43. Retained earnings

Item	Amount as of the end of the year	Amount as of the beginning of the year
Amount as of the end of the previous year	**6,544,494,529.86**	**7,622,969,475.85**
Add: adjustment amount of retained profits at beginning of the year *1	-2,164,573,405.67	
Including: major correction of prior-year error		
Amount at the beginning of the year	4,379,921,124.19	7,622,969,475.85
Add: net profits belonging to parent company owner during the year	-1,583,591,720.25	19,617,975.93
Decrease during the year	456,724,884.70	1,098,092,921.92
Including: Withdraw of statutory surplus reserve	20,312,279.11	33,956,551.81
Withdraw of discretionary surplus reserve		
Withdraw of general risk reserve	65,589,605.59	6,645,893.59
Ordinary share dividends payable	370,823,000.00	1,055,388,400.00
Other decreases		2,102,076.52
Amount as of the end of the year	**2,339,604,519.24**	**6,544,494,529.86**

*1. Adjustment amount of retained profits at beginning of the year is the amount of 44 enterprises in Hanlong Group, consolidated by Guoke Co which was the new consolidated company in 2018.

44. Operating income and operating costs

Item	Amount for this year		Amount for last year	
	Income	Cost	Income	Cost
(1) Sub-total of principal businesses	196,904,204,686.53	171,355,813,450.52	167,482,569,699.32	145,786,163,652.98
Including: transportation facilities operation and construction	76,520,893,282.45	60,692,882,383.67	59,872,518,420.63	46,506,644,132.08
Trade*1	100,705,024,127.33	97,218,818,302.10	88,988,386,394.94	86,647,794,358.06
Media and culture	8,640,646,323.50	5,263,254,343.84	8,790,248,323.14	5,696,779,418.50

Item	Amount for this year		Amount for last year	
	Income	Cost	Income	Cost
Power generation and supply	8,337,281,754.22	7,117,480,536.02	7,035,099,409.13	5,371,726,489.85
Others	2,700,359,199.03	1,063,377,884.89	2,796,317,151.48	1,563,219,254.49
(2)Sub-total of other businesses	3,295,936,630.48	1,259,494,665.36	2,618,610,910.48	1,232,896,485.92
Including: rent	234,295,899.33	70,782,370.64	246,321,262.01	64,070,208.37
Fund possession cost	115,486,668.20		37,970,073.90	
Others*2	2,946,154,062.95	1,188,712,294.72	2,334,319,574.57	1,168,826,277.55
(3) Interest income	103,388,589.43		72,709,913.42	
(4) Commission and brokerage	9,407.07	351,491.67		82,133.33
Total	**200,303,539,313.51**	**172,615,659,607.55**	**170,173,890,523.22**	**147,019,142,272.23**

*1 Revenue in trade increased is mainly due to the increase of trade revenue of Sichuan Energy Investment Material Industry Group Co., Ltd, a subsidiary of Energy Investment Group, CNPC Railway Co., Guangrun Logistic Trading Company and Sichuan Zhonghang Road& Bridge Company w, Transportation Investment industrial Company and Sichuan Port and Channel Development Company and Sichuan Communications Logistics Co.

*2 Other income in sub-total of other businesses mainly refers to material sales income, power installation project income of the subsidiaries of Energy Investmen, and guarantee income and entrusted loan interest income of subsidiaries of Railway Investment Co.

45. Business tax and surcharges

Item	Amount for this year	Amount for last year
Consumption duty *1	81,460,717.78	87,691.24
Urban maintenance and	195,585,169.70	164,528,268.87
Education surcharge	124,376,194.08	119,399,653.81
Local education surcharge	37,714,846.45	43,801,632.18
Resource tax	60,448,680.09	15,547,146.39
Stamp tax	79,037,646.88	48,721,661.19
Land value added tax	47,307,958.77	182,316,667.79
Land utilization tax	79,564,835.16	67,404,900.67
Property Tax	131,577,983.74	94,625,454.40
Others *2	128,061,868.61	68,389,995.32
Total	**965,135,901.26**	**804,823,071.86**

*1. Consumption duty of Guoke Co. amounted to 80.00 million contributed to the increase of the consumption duty.

*2. Other are mainly vehicle and vessel tax and disabled persons security fund.

46. Financial expenses

Item	Amount for this year	Amount for last year
Interest expenses *1	18,154,589,233.79	15,772,290,756.61
Less: Interest income	1,583,070,508.73	2,135,451,530.65
Add: Exchange loss	287,883,793.04	-410,622,170.64
Add: Other expenses	489,168,531.24	224,684,581.82
Total	**17,348,571,049.34**	**13,450,901,637.14**

*1. Hydropower Group, a subsidiary of Energy Investment Group, received loan subsidy of financial rural grid power 1,722.62 million, which offset the interest expenses.

47. Gains from changes in fair value

Item	Amount for this year	Amount for last year
Gains from changes in fair value of financial assets at fair value through profit or loss	-976,875,288.18	-46,209,215.32
Derivative financial assets		
Trading financial liabilities		
Gains from changes in fair value of financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Investment properties at fair value through profit or loss		
Total	**-976,875,288.18**	**-46,209,215.32**

48. Impairment losses

Item	Amount for this year	Amount for last year
Bad debt loss	905,957,458.21	722,331,219.16
Impairment loss of inventory	232,036,805.96	101,470,856.41
Provision for impairment of available- for-sale financial assets	339,985,009.53	71,402,182.62
Impairment loss on long-term receivables	261,925,780.15	46,079,363.69
Impairment loss on long-term equity investments	78,587,474.45	29,036,069.59
Impairment loss of fixed assets	23,741,954.65	12,025,809.54
Impairment loss of construction in progress	39,284,908.05	11,099,933.22
Impairment loss of intangible assets	1,073,926.29	1,526,070.88
Impairment loss of other current asset/other non-current asset	102,462,721.70	299,816,069.79
Provision for impairment of other non-current assets maturing with 1 year	-53,100,760.84	-23,047,101.23
Impairment loss of goodwill	-	2,669,936.04
Loan loss provision	66,655,081.62	23,223,377.16
Total	**1,998,610,359.77**	**1,297,633,786.87**

49. Investment income

Sources of investment income	Amount for this year	Amount for last year
Gains on long-term equity investment under cost methods		2,029,129.06
Gains on long-term equity investment under equity method	1,842,127,237.81	2,101,506,451.44
Gains on disposal of equity investment *1	844,199,397.40	147,973,138.52
Gains on financial assets held for trading during holding period	32,395,426.95	207,131,185.85
Gains on held-until-maturity investment during holding period	73,193,697.29	30,047,827.36
Gains on available-for-sale financial assets during holding period *2	975,332,753.34	489,343,667.61
Gains on disposal of financial assets held for trading	15,658,012.58	151,126,645.72
Gains on disposal of available-for-sale financial assets	510,513,265.51	41,568,501.73
Gains on entrusted loans	458,575,669.15	338,067,153.22
Gains on bank financial products	581,761,910.66	345,154,128.43
Gains on residual equity measured by fair value after losing control *3	827,559,968.15	
Others	728,780,972.68	730,611,517.36
Total	**6,890,098,311.52**	**4,584,559,346.30**

*1. Gains on disposal of equity investment are gains on disposal of 5 Renshou project companies by Land Company amounted to 676.2911 million and gains on disposal of subsidiary by Xinzhu Co. amounted to 100.6429 million.

*2. Gains are mainly from Energy Investment Group amounted to 289.3867 million, Financial Holding Group amounted to 257.3394 million, and Xinchuan Fund amounted to 100.00 million.

*3. Mainly gains on residual equity measured by fair value after losing control by Land Co., details refer to Note XIII.

50. Gains on disposal of asset

Item	Amount for this year	Amount for last year
Disposal gains on available for sales assets		
Disposal gains on non-current assets	203,910,712.04	-1,916,051.65
Including: disposal gains on fixed assets	79,653,541.62	-1,916,051.65
Disposal gains on intangible assets	124,257,170.42	
Gains ono non-monetary exchange		
Disposal gains on non-current assets in debt construction		
Total	**203,910,712.04**	**-1,916,051.65**

51. Other income

Item	Amount for this year	Amount for last year
Government grants	863,953,386.00	437,140,109.83

Item	Amount for this year	Amount for last year
Others	1,912,096.70	-
Total	**865,865,482.70**	**437,140,109.83**

The details of government grants：

Item	Amount for this year	Amount for last year
Government grants of Dujinggang District	102,632,418.12	95,249,084.83
Chengping Port Operating Subsidy	65,355,997.46	65,355,997.40
VAT immediately levy and refund	22,011,270.65	39,723,720.35
Compensation for land in Longma New City	27,900,000.00	27,900,000.00
Subsidy of Western Cultural City	4,979,278.33	25,491,497.98
Working fund of pre-project of railway	0.00	20,000,000.00
Subsidy of Steady Work	9,421,132.42	4,813,540.21
Tax return	30,660,841.30	4,291,958.77
Reconstruction and extension project of Dazhou and Xujiaba Station	58,016,900.00	
Subsidy of reconstruction and extension project of Huaying Toll Station	45,277,914.00	
Subsidy of Mianyang Station and Mianyang South Station Toll Station	180,216,000.14	
Other government grants *1	317,481,633.58	154,314,310.29
Total	**863,953,386.00**	**437,140,109.83**

Other government grants were mainly subsidy of film and TV works, subsidy of construction projects in Sichuan Communications.

52. Non-operating income

Item	Amount for this year	Amount for last year
Gains on disposal of non-current assets	6,355,351.68	
Debt restructuring gains *1	827,600,849.55	2,559,540.94
Acceptance of donation	587,722.34	120,040.71
Non-monetary assets exchange gains	103,737.99	5,360,976.79
Government grants	141,079,880.21	165,918,780.65
Demolition income	-	7,154.06
Gain in inventory surplus	11,653,678.75	
Compensation income	103,537,151.34	41,607,024.81
Payables unable to pay	425,515,843.75	86,190.56
Others *2	254,219,893.18	182,646,986.67
Total	**1,770,654,108.79**	**398,306,695.19**

(1) Government subsidies

Item	This year	Last year
Longtan Infrastructure construction	18,600,000.00	
Subsidy of Fubao Scenic Area integrated development project	11,900,000.00	
Subsidy of Industrial Fund	8,066,300.00	
Subsidy of tourism facility of Hanyuan Tourism Bureau	26,692,360.00	
Subsidy of investment	6,897,400.00	
Financial discount		9,189,000.00
Relocation and reconstruction of toll station		30,000,000.00
Demolition subsidy		19,188,123.99
Investment subsidy of BOT project		16,000,000.00
Immigration asset		9,832,361.17
Others *2	68,923,820.21	81,709,295.49
Total	**141,079,880.21**	**165,918,780.65**

* 1: The debt restructuring gains refers to NOTE IX.

* 2: Others are mainly financial discount of bonds, subsidy of “San Gong Yi Ye”, subsidy of promoting interaction from MOF, and government support funds etc.

53. Non-operating expenses

Item	Amount for this year	Amount for last year
Donations contributed	74,661,215.76	61,090,690.28
Debt restructuring loss	681,951.83	
Abnormal loss	11,670,310.51	181,852.00
Discard and scrap of fixed asset	19,933,542.43	13,773,449.33
Pending litigation *1	536,270,300.00	
Compensation, liquidated damages and fine expenses	39,594,630.62	42,668,943.07
Others *2	187,348,062.87	146,962,561.08
Total	**870,160,014.02**	**264,677,495.76**

*1. Details of pending litigation refer to VIII.

*2. Others are mainly fees of equity purchase, tax of reduction of equity, and repair of road etc.

54. Income tax expenses

Item	Amount for this year	Amount for last year
Current tax expense calculated in accord with the tax stipulation	2,409,808,288.05	1,884,389,266.22
Deferred tax expense adjustment	-894,600,363.13	-1,217,320,621.70

Item	Amount for this year	Amount for last year
Total	**1,515,207,924.92**	**667,068,644.52**

55. Other comprehensive income

Item	Amount for this year	Amount for last year
I. Other comprehensive income that cannot be reclassified to profit and loss	-9,298,478.20	
Sub-total	**-9,298,478.20**	
II. Other comprehensive income that will be reclassified to profits and losses		
1. Amount of gain (loss) on financial assets available-for-sale	-2,537,723,023.60	-1,868,991,137.26
Less: tax influence	-634,430,755.90	-467,247,784.32
Net amounts that are included in other comprehensive income at the prior period but reclassified to the profits and losses at current period	16,345,665.00	82,672,806.50
Sub-total	**-1,919,637,932.70**	**-1,484,416,159.44**
2. Amount of gain (loss) on financial assets held to maturity	-749,392.84	
Less: tax influence	249,797.62	
Net amounts that are included in other comprehensive income at the prior period but reclassified to the profits and losses at current period		
Sub-total	**-999,190.46**	
3. Translation differences of foreign currency financial statements	81,279,281.03	-133,950,267.57
Sub-total	**81,279,281.03**	**-133,950,267.57**
4. Shares of OCI by equity method that will be reclassified to profit and loss	617,046,473.02	-7,001,135.95
Less: Income tax effect of shares of OCI by equity method that will be reclassified to profit and loss		
Sub-total	**617,046,473.02**	**-7,001,135.95**
Total	**-1,231,609,847.31**	**-1,625,367,562.96**

56. Borrowing costs

Item	Amount for this year
1.Expensed borrowing costs	19,877,209,233.79
2.Capitalised borrowing costs	3,200,114,389.19
Including: Capitalized borrowing costs in fixed assets	
Capitalized borrowing costs in construction in progress	1,401,009,248.32
Capitalized borrowing costs in intangible assets	298,069,728.26
Capitalized borrowing costs in inventories	1,501,035,412.61
3.Capitalised borrowing costs in other non-current assets	982,952,038.11
Total	**24,060,275,661.09**

57. Segment information (Unit: RMB '0000')

Item	Investment or financing business		Transportation facilities operation and construction business		Trade business		Media and culture business	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Operating income	62,565.27	75,172.64	7,813,026.12	6,079,758.38	10,141,834.69	8,959,630.71	874,435.99	889,654.00
Including: external transaction income	-	495.28	7,755,012.00	6,032,575.35	10,141,776.07	8,959,630.71	867,202.71	884,064.91
Inter-segment transaction income	62,565.27	74,677.36	58,014.13	47,183.04	58.63	-	7,233.28	5,589.09
Gain on investments in joint ventures and associates	40,347.20	24,705.28	67,548.69	81,069.72	8,647.00	5,405.90	7,924.48	1,427.93
Asset impairment loss	9,463.51	72,731.31	35,034.20	20,118.60	51,297.66	14,095.55	14,631.29	8,325.88
Depreciation cost and amortization cost	119.10	574.02	558,045.84	522,786.93	104,339.14	61,565.44	19,586.10	18,643.71
Total profit	20,312.28	33,956.55	243,957.32	194,409.22	72,982.80	31,478.81	106,459.46	99,977.10
Income tax expenses	-	-	129,114.41	57,025.30	8,543.79	10,550.35	-606.03	1,692.58
Net profit	20,312.28	33,956.55	114,842.90	137,383.92	64,439.01	20,928.46	107,065.49	98,284.53
Total assets	21,096,349.91	18,052,999.83	72,905,661.34	57,809,856.11	7,985,633.70	5,709,937.22	2,131,887.82	2,006,623.14
Total liabilities	9,025,562.64	7,462,074.53	51,110,448.35	38,962,311.29	5,468,729.95	3,243,321.97	721,936.83	670,891.96
Other significant non-cash items	-		-		-		-	
Amount of increase in other non-current assets other than long-term equity investments	842,205.60	42,079.92	4,348,405.23	6,678,979.63	851,988.38	610,365.39	-7,882.65	-5,605.76

(Continued)

Item	Power generation and supply business		Other		Elimination		Total	
	This year	Last year	This year	Last year	This year	Last year	This year	Last year
Operating income	973,246.49	833,697.52	305,081.73	319,723.03	-139,836.36	-140,247.23	20,030,353.93	17,017,389.05
Including: external transaction income	973,246.49	833,697.52	293,006.02	306,925.28	110.64	-	20,030,353.93	17,017,389.05
Inter-segment transaction income	-	-	12,075.69	12,797.74	-139,947.00	-140,247.23	-	-
Gain on investments in joint ventures and associates	99,599.64	99,967.30	12,592.49	7,291.63	-348.31	-9,717.11	236,311.19	210,150.65
Asset impairment loss	29,039.47	64,841.23	59,276.05	17,677.76	1,118.86	-68,026.95	199,861.04	129,763.38
Depreciation cost and amortization cost	124,614.65	102,674.53	20,466.26	11,561.77	-	-	827,171.09	717,806.40
Total profit	91,246.78	80,331.56	-12,886.41	41,393.42	-73,615.69	-75,429.88	448,456.54	406,116.78
Income tax expenses	-325.58	-19,726.96	15,740.32	19,582.00	-946.12	-2,416.41	151,520.79	66,706.86
Net profit	91,572.36	100,058.52	-28,626.72	21,811.42	-72,669.57	-73,013.48	296,935.75	339,409.92
Total assets	12,272,820.46	10,682,035.15	8,286,428.93	13,250,014.18	-19,004,749.15	-16,902,292.03	105,674,033.01	90,609,173.60
Total liabilities	8,772,072.72	7,407,345.11	4,553,529.82	9,135,073.88	-3,329,007.77	-2,595,465.54	76,323,272.54	64,285,553.20
Other significant non-cash items	-		-		-		-	-
Amount of increase in other non-current assets other than long-term equity investments	826,947.16	508,676.76	916,218.26	1,894,733.21	-684,112.72	-396,365.19	7,093,769.26	9,332,863.96

Note: the segment information above shall be determined by industry. Since some operation segments involves cross-industry operation, the operating income of various operation segments stated above may be inconsistent with the detailed data disclosed in Note VII 44.

58. Explanation of consolidated cash flow

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for this year	Amount for last year
1.Reconciliation of net profit to cash flow from operating activities	——	——
Net profit	2,969,357,454.93	3,394,099,165.22
Add: provision for asset impairment	1,998,610,359.77	1,297,633,786.87
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	5,434,457,630.73	5,070,877,176.64
Amortization of intangible assets	2,395,962,813.95	1,685,844,697.17
Amortization of long-term deferred expense	441,290,447.44	421,342,133.18
Loss on disposal of fixed assets, intangible assets and other long-term assets	-203,910,712.04	1,916,051.65
Losses on retirement of fixed assets ("–" for gain)	13,578,190.75	13,773,449.33
Loss on change in fair value ("–" for gain)	976,875,288.18	46,209,215.32
Financial expenses ("–" for income)	19,877,209,233.79	17,243,686,416.06
Investment loss ("–" for income)	-6,890,098,311.52	-4,584,559,346.30
Decrease in deferred tax assets ("–" for increase)	-605,883,881.12	-508,211,181.14
Increase in deferred tax liabilities ("–" for decrease)	-270,540,352.50	-796,498,964.24
Decrease in inventories ("–" for increase)	-12,086,352,758.61	-9,287,398,631.37
Decrease in operating receivables ("–" for increase)	-12,716,724,053.56	-5,683,058,109.46
Increase in operating payables ("–" for decrease)	8,291,539,189.97	-3,754,454,884.55
Others		
Net cash flow from operating activities	9,625,370,540.16	4,561,200,974.38
2. Major investment and fund-raising activities involving no cash receipts and payments		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets financed by leasing		
3. Net increase in cash and cash equivalents		
Cash at the end of the year	115,156,718,077.08	93,238,432,103.49
Less: cash at the beginning of the year	93,238,432,103.49	80,120,870,483.86
Add: cash equivalents at the end of year		
Less: cash equivalents at the beginning of the year		
Net increase in cash and cash equivalents	21,918,285,973.59	13,117,561,619.63

(2) Cash and cash equivalents

Item	Amount for this year	Amount for last year
Cash	115,156,718,077.08	93,238,432,103.49
Including: cash on hand	29,072,445.63	40,591,017.31
Bank deposits readily available for payment	109,970,019,570.27	90,413,280,792.34
Other monetary capital that can be used to pay at any time	5,157,626,061.18	2,784,560,293.84
Deposits held at call with the central bank		
Due from banks		
Call loan to banks		
Cash equivalents		
Including: Bond investment due within three month		
Balance of cash and cash equivalents at end of the year	115,156,718,077.08	93,238,432,103.49
Restricted cash and cash equivalents of parent companies and subsidiaries in the Group	2,042,718,744.24	1,374,896,093.11

59. Assets with restricted ownership

1. As of December 31, 2018, assets with restricted ownership are as follow:

Category	Ending Balance	Reasons for being restricted
1.Restricted assets used for mortgaged and pledge guarantees		
Cash and cash equivalents	2,013,866,040.16	Guarantee*1
Inventory	3,735,573,015.61	Loan mortgage，pledge guarantee*2
Account receivables	910,545,681.05	Loan mortgage，pledge guarantee
Notes receivables	81,446,247.10	Loan mortgage，pledge guarantee
Fixed assets	18,139,138,744.60	Loan mortgage，pledge guarantee and financial leasing assets*3
Financial assets available for sales	451,159,230.23	Loan mortgage，pledge guarantee
Intangible assets	78,667,514,155.66	Loan mortgage，pledge guarantee*4
Investment property	295,257,323.98	Loan mortgage，pledge guarantee
Non-current assets matured within one year	133,501,450.37	Loan mortgage，pledge guarantee
Dividends receivables	25,177,843.32	Loan mortgage，pledge guarantee
Construction in progress	2,124,455,564.49	Loan mortgage，pledge guarantee*5
Long-term equity investment	11,308,958,411.57	Loan mortgage，pledge guarantee*6
Long-term receivables	859,127,758.80	Loan mortgage，pledge guarantee
Other non-current assets	1,748,835,701.23	Loan mortgage，pledge guarantee*7
Sub-total	**120,494,557,168.17**	
二、Restricted assets for other reasons		
Cash and cash equivalents	28,852,704.08	Special funds under supervision, blocked fund by court
Fixed assets	145,501,603.59	Special funds under supervision, blocked fund by court
Fixed assets	9,071,165.39	Property certificate is not yet obtained

Category	Ending Balance	Reasons for being restricted
Intangible assets	186,368,053.99	Special funds under supervision, blocked fund by court
Investment property	11,583,521.32	Property certificate is not yet obtained
Sub-total	**381,377,048.37**	
Total	**120,875,934,216.54**	

Explanations for major restricted events:

*1. Restricted monetary fund are mainly letter guarantee, credit certificate guarantee and bank acceptance guarantee. For the details, please refer to Notes VII (1) 2.

*2. Restricted inventory are mainly the development land of Railway Investment Group and Guoke Co. which were pledged to banks for loans.

*3. Restricted fixed assets are mainly power station assets, railway assets, and buildings of Railway Investment Group, entire power station assets of Energy Investment Group, airfield runway arresting system of Jiuhuang Company of Sichuan Communications, which were provided as guarantee for bank financing.

*4. Intangible assets are toll right of expressway of Railway Investment Group, Sichuan Communications, and Guoke Co. which were provided as pledged guarantee for bank loans.

*5. Construction in process mainly is the hydropower project under construction (book value is about RMB 2.081 billion), which were pledged for bank loans.

*6. Restrictions of long-term equity investment mainly are: (1).the Company pledged RMB 6.06 billion shares in Sichuan Communications for obtaining RMB 5 billion loan from Postal Savings Bank of China Sichuan branch, the loan term is 10 years. As of December 31, 2018, the total balance of the loan is RMB 1.69388 billion. (2). Energy Investment pledged its equity interests in Hydropower Group for obtaining equity interests in ICBC Credit Ruixin Investment Management Co., Ltd. and bank loans from.

*7. Restricted other current assets are due to the Agreement on Transfer the Management and Maintenance of Langchuan Road signed between Sichuan Communications and Aba Communications Bureau, Aba Communications started to have the management and use right of Langchuan Road from 1st July 2015 according to the agreement.

Notes: As of December 31, 2018, the total pledged loan in the consolidated financial statements is about RMB 207.5 billion (not including the guarantee loan RMB 125.7 billion), yet the pledged and guarantee assets in the restricted assets disclosure above are only RMB 120.5 billion, which are less than the balance of pledge and guarantee loan due to the reason that the subsidiaries have different understanding of the disclosure of restricted assets and may not fully disclosed the information, which caused the incompleteness of the consolidated information..

VIII. EXPLANATION OF CONTINGENCIES

1. Internal and external guarantees as of December 31, 2018(unit RMB: '0000'):

Guarantor	Intra-group guarantees	Extra-group guarantees
The Company	5,207,506.73	
Energy Investment Group	1,498,079.84	477,897.29
Sichuan Communications	18,640.00	24,300.00
Railway Investment Group	5,388,718.72	1,233,422.53
Mineral Group	50,500.00	
Sichuan Non-ferrous Technology	3,000.00	
State-Owned Assets Investment	1,550.00	
State-Owned Assets Management		18,072.90
Xinzhu Co.	47,322.89	
Guoke	693,557.14	
Shuyu Mining	2,500.00	
Salt Industry Investment	12,000.00	
Financial Holding Group		1,423,300.00
Gunrun Environment	53,240.00	
Credit Enhancement		64,000.00
Total	**12,976,615.32**	**3240,992.72**

External guarantees are as follows:

Guarantor	Guarantee	Amount of guarantee
Financial Holding Group	The business of Financial Guaranty Co. *1	1,423,300.00
Guoke	Financing guaranty business *1	18,072.90
Energy Investment Group	The business of Jinyu Financial Guaranty Company *1	306,526.14
Energy Investment Group	Chengdu Xinzhe western culture and tourism industry equity investment fund center (limited partnership)	27,000.00
Energy Investment Group	Chengdu Xinxia western culture and tourism industry equity investment fund center (limited partnership)	100,000.00
Energy Investment Group	Shuangliu western tourism industry development equity investment fund center (limited partnership)	25,000.00
Energy Investment Group	Sichuan Investment Gas Power Generation Limited Co., Ltd.	5,000.00
Energy Investment Group	Sichuang Mianyang Aizhong Electricity Generation Co. (former name:Sichuan Xingchen Hydropower Investment Co.)	5,371.15
Energy Investment Group	Zhangming *2	5,000.00
Energy Investment Group	Yulin Chuanneng Huaxi Environmental Electricity Generation Co.	2,000.00
Energy Investment Group	Xiayudong, Yinmin	2,000.00
Railway Investment Group	Bada Railway Co.	70,490.18
Railway Investment Group	Dacheng Railway Co. (Da-wan segement)	9,587.00
Railway Investment Group	Sichuan Ruikong Industrial Co.	190,000.00
Railway Investment Group	Leba Railway Co.	29,921.90

Guarantor	Guarantee	Amount of guarantee
Railway Investment Group	Xudian Railway Co	34,100.00
Railway Investment Group	Sichuan Luqiao Mining Investment Co.	25,000.00
Railway Investment Group	Sichuan Xiaojin River Hydro-power Development Co.	107,550.00
Railway Investment Group	Sichuan Lianle Railway Co.	170,000.00
Railway Investment Group	Ningbo Shutong Road & Bridge Construction Co.	75,000.00
Railway Investment Group	Sichuan Xuda Railway Co., Ltd.	286,773.45
Railway Investment Group	Chuannan Inter-city railway Co.	235,000.00
Sichuan Communications Group	Department of Communication of Sichuan Province	24,300.00
Credit Enhancement	Chengdu Tianfu Shuicheng Urban-rural Water Affairs Construction Co.	64,000.00
Total		**3,240,992.72**

Note1. External guarantee from the Financial Guaranty Co., Guoke and Jinyu Financial Guaranty Co. is the guarantee for clients.

Note2. Sunfor Co, the subsidiary of Energy Investment, signed Maximum Guarantee Contract with Bank of Shanghai, providing guaranty for Zhang Ming's claim, which would be the principal claim, occurred between December 31, 2015 and December 30, 2018. The maximum principal balance of guaranteed claim was no more than 150 million. As of December 31, 2018, Bank of Shanghai provided a loan with the balance of 50 million to Zhang Ming, and Zhang Ming has escaped overseas.

2. As of December 31, 2018, contingent liabilities arising from major pending actions and arbitrations of the Group

(1)Details of the Group as prosecutor

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Sichuan Gas Guangyuan Energy Co., the subsidiary of Energy Investment Group	Cangxi Datong Gas Investment Co., Ltd.	Unpaid gas charges	3,934.03	In litigation
Sunfor Light	Zhang Ming	Transaction fee	9,424.97	In litigation
Financial Guaranty	Payment on behalf of client but did not receive repayment	Payment on behalf of client but did not receive repayment	89,900.00	In litigation
Modern Agricultural Guaranty	Payment on behalf of client but did not receive repayment	Payment on behalf of client but did not receive repayment	21,759.65	Win and executing

State-Owned Assets Operation	Sichuan Longsheng Group and Wan Chengrong	Dispute of capital increase	582.50	Lose in second hearing, and consider whether appealing
State-Owned Assets Operation	Sichuan Tianhong Industrial Group Co.,Ltd.	Borrowing dispute	With principal 66 million and interest	Win, and is under settlement
State-Owned Assets Operation	Sichuan Ruonan Mills Co.,Ltd.	Borrowing dispute	With principal 90 million and interest	Win, and Ruonan is now in bankruptcy reconstruction
State-Owned Assets Operation	Zhongshi Chengdu Foods	Borrowing dispute	With principal 24 million and interest	Win, and consider coercive execution according to the condition of bankruptcy reconstruction of Zhongshi
State-Owned Assets Operation	Sichuan Longdu Tea Group	Borrowing dispute	With principal 6 million and interest	Under settlement
State-Owned Assets Operation	Chengdu xingjiu agriculture and forestry development co. LTD	Borrowing dispute	222.98	Win and executing
Nonferrous Technology	Guangyuan Zhonglv Aluminum	Sales or purchase contract dispute, prepayment with no supply	1,088.84	Auction the mortgage assets. The auction process is no yet started
Sichuan Nonferrous Metal Mineral Processing Reagent Co., Ltd. subsidiary of Nonferrous Technology,	Shanghai Yuanyin Mineral Co., Ltd.	Sales or purchase contract dispute, prepayment with no supply	1,140.73	Auction the mortgage assets. The disposal is not yet finished
Guangrun Logistics	Yunnan Lilai Investment Co., Ltd.	Disputes	2,000.00	Clear off by Puer Minsheng Rural Bank
Communications Group	Sichuan Wanli Water and Electric Equipment Co., Ltd.	Disputes	1,402.50	Act under coercion
Communications Group	Fujian Wanxin Electricity Generation Equipment Co.	Disputes	269.87	Win in first hearing, and the second hearing support the result and it's the final hearing.
Jiaotou Logistics Co, the subsidiary of Communications Group	Jiangxi Jinggang Road & Bridge Group	Disputes	887.28	Win in first hearing, but not received.
Jiaotou Trading Co. the subsidiary of Communications Group	Xiamen Enji International Freight Agency Co and Guangzhoug Hongfu Logistics Co.	Erosion of goods during the freight agency	635.70	First hearing is finished and second hearing is underway

Jiaotou Trading Co. the subsidiary of Communications Group	Neijiang Kunshan Investment, Wuyingsong	Fabricate letter of guarantee	1,030.87	Not in session
Jiaotou Yunwu Media Co., the subsidiary of Communications Group	Chengdu Jiashang Ad & Media Co.	Disputes of Ad Contract	155.59	Conciliation document have been issued by court, and apply for enforcement
Jiaotou Chanrong Holding Co.	Chu-ying Agro-pastoral Group	Disputes of entrusted loans	20,000.00	Not in session
Jiaotou Chanrong Holding Co.	Techcent	Disputes of entrusted loans	10,000.00	Negotiating
Sichuan Jiaotou Chain Technology Co.	Fujian Fuhuagongmao Co.	Trading contract disputes	6,473.00	Not in session
Sichuan Jiaotou Guochu Trading Co.	Zhongyu Benxin Industrial Co., Zhongyu Benxin Industrial Co. Chengdu Branch	Trading contract disputes	283.00	Defendant appeals against the judgement. January 8, 2019, defendants appeal in second hearing
Sichuan Jiaotou Logistics Co, Sichuan Jiaotou Guochu Trading Co.	Sichuan Guoxin International Trading Co., Sichuan Guoxin Liancheng Material Trading Co.	Trading contract disputes	8,206.37	Court accepted the case and put it in file on January 22, 2019
Jiaotou Logistics Co,	Sichuan Jiayu Construction Engineering Co.	Steel purchase disputes	512.00	Mediating by court
Development Ruixin	Chengdu Xincheng International Eco-development Co.	Disputes of entrusted loans	With principal of 70 million and its interest	Waiting the reopen of intermediate court

(2) Details of the Group as defendant

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Zhongjiao Fourth Engineering Co., Ltd	Sichuan Communications' subsidiary Sichuan Bada Highway	The cost of the delay of project due to the delay of the subgrade	About 130 million Yuan.	Compensation 14,607,461.51 subjected to Bazhong medium court's sentence
Wenchuan Longfa Electrical Power Co., Ltd.	Sichuan Communications' subsidiary Sichuan Duwen Highway	Change the design of Hekou Power Station due to the construction of road	10,000.99	The court rejected the petition
Nanchong Lvlan Agricultural Co.	SuiguangSuixi Co., a subsidiary of Sihuan Communications	Dispute of tort and duty of environment	256.56	Mediation

Prosecution	Defendant	Reason	Influenced amount ('0000 unless otherwise stated)	Current condition
Sichuan Riyue Hi-tech Co.	SuiguangSuixi Co., a subsidiary of Sihuan Communications	Dispute of tort and duty of environment	284.20 and loss of relocation	Wait for second trial
3 companies including Sichuan Fenghui Agricultural Co.	SuiguangSuixi Co., a subsidiary of Sihuan Communications	Dispute of tort and duty of environment	6,345.34	Court rejected the sue
Panzhihua Road Construction Group	Sichuan Communications' subsidiary Sichuan Bada Highway	The cost of the delay of project due to the delay of the subgrade	3,300.00	Accept and hear the case due to the litigation costs that Panzhihua Road and Construction Co. did not pay, Panzhihua Road Construction remain the right to sue
Nuclear Industry South China Construction Co.	Bashan Expressway Co.	Delayed project, changed design, and retender led the cost increasing	4,684.80	Under the acceptance
Jiangxi Jinggang Road & Bridge Co.	Sichuan Bada Highway	Cost increased because of the rainstorm	473.25	Under the acceptance
Hebei North Road Construction Group	Sichuan Dawan Expressway Co.	Differences of material costs	5,482.63	Under the acceptance
Panzhihua Road Construction Group	Sichuan Communications' subsidiary Sichuan Yameile Expressway	Project delayed	3,000.00	Under the judgement
Fujian Kaihao Engineering Co.	Sichuan Road & Bridge Co, the subsidiary of Railway Investment Co.	Dispute over construction contract	3,567.72	Under the enforcement
6 sub-contractors and contractors including Sichuan Shurui Waterproof Construction Co. and 7 persons including Zhoubin	Development Tianfu and Sichuan Huahai Construction Co.	Dispute over settlement of contract	1,600.00	Judged, Development Tianfu did not have the joint responsibility
Command post of integrated management of Wuhou Funan River	Airline Co. and Land Co.	Transfer of planning land rights	322.38	pending
Taixing Hongrui Co. *1	Land Co.	Share transfer contract	53,627.03	pending

*1. In 2016, Land Co. and Taixing Hongrui Co. signed Framework Agreement of Equity Transfer, Cooperation Agreement of Project Development, and Supplement Cooperation Agreement of Project Development. Chengdu Yihexin, Chengdu Xinchuang 49% equity that Land Co. held shall transfer to Taixing Hongrui Co. with the consideration of 526.6317 million subjected to the agreements mentioned

above. After completing the transfer, the Land Co. and Taixing Hongrui Co. will cooperate to development the land Chengdui Xinchuang owns.

At the end of 2017, the transaction above suspended, and equity transfer procedure did not complete. On March, 2018, Taixing Hongrui Co. accused Land Co. and required Land Co. complete the equity transfer procedure and pay for the penalty. Sichuan premium court accepted and heard the case, but the sentence did not decide. Land Co. recognized accrued liability amounted to 536.2703 million.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of litigation items for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on each company's disclosures.

3. Unexpired guarantees

1. As at December 31, 2018, Chengdu Branch of CITIC Bank, China Merchants Bank Chengdu Tianfu Avenue Branch, and China Merchants Bank Chengdu Branch provided subsidiaries of Sichuan Expressway Company which are Sichuan Expressway Transportation Information Co., Ltd of 38 unexpired guarantees amounted to RMB 111,502,951.25.

2. As at December 31, 2018, Everbright Bank, ABC Bank Chengdu Zongfu Branch, and ABC Bank Chengdu Guanghua Branch provided Sichuan Expressway Construction and Development Group Co., a subsidiary of Communications Group 3 unexpired guarantees totaling 800.00 million.

3. As at December 31, 2018, CCB Chengdu Xinhua Branch provided Sichuan Expressway Greening and Environment Protection Co., a subsidiary of Communications Group 4 unexpired guarantees totaling 7,233,214.00.

Since the consolidation of the financial statements of the group's subsidiaries, the possibilityof incomplete disclosure of contingency items for a variety of reasons by companies is exist. This consolidated statement is only disclosed based on each company's disclosures.

IX. COMMITMENTS

1. Share repurchase commitments

1. the Company and ICBC Ruixin Investment signed forward repurchase agreement

In 2014, the Company and ICBC Ruixin Investment Management Co., Ltd. (hereinafter referred to as ‘‘ICBC Ruixin’’) signed an equity transfer agreement and capital increase agreement of Energy Investment Group. The agreement stipulates that: ICBC Ruixin establishes “the special asset management plan of capital incensement of Energy Investment Group by ICBC Ruixin”, and the Company transferred the unpaid capital of Energy Investment Group for RMB 3 billion of entrusted funds of the special plan, and to increase the capital of Energy Investment Group. The special plan holds 32.20% of equity of the Energy Investment Group after the capital increase. After the completion of capital increase, the paid-in capital of

the Energy Investment Group will be RMB 9.316 billion, where the Company paid in RMB6.316 billion and ICBC Ruixin paid in RMB3 billion. Meanwhile, the Company signed an “transfer agreement of the special asset management plan of capital incensement of Energy Investment Group by ICBC Ruixin” with ICBC Ruixin, the agreement agreed that, six years after ICBC Ruixin makes the contribution,

2. the Company and State Development Fund Co., Ltd. signed equity forward repurchase agreement

Financing Guarantee 2016 Second Shareholders' Meeting Resolution agreed to increase the registered capital of RMB 5 billion which the company and the new shareholder State Development Fund Co., Ltd. (hereinafter referred to as the State Development Fund) each contributed 2.5 billion. On July 25, 2016, State Development Fund, Financing Guarantee, and the company signed the “State Development Fund investment contract" (contract number: 511020160610000051) (hereinafter referred to as investment contracts). The investment contract stipulated that investment period from State Development Fund to Financing Guarantee is 20 years which from the initial capital payment date of completion date (from 2016 to 2036, hereinafter referred to as the "investment period"). In the investment period and the maturity of the investment period, the state funds shall have the right to realize the investment recovery in accordance with the fifth provision of the investment contract, i.e., from 2021 to 2036, the company repurchase the invest amount RMB 2.5 billion from State Development Fund to Financing Guarantee in 9 installments with amount stipulated in the investment contract. The capital subscribed by the company and the state development fund has been fully funded in October 13, 2016.

3. the Company and CITIC Trust signed partnership shares forward repurchase agreement

Partnership Agreement signed on 29th April 2016 stipulated that Sichuan Hongyuan emerging industries Equity Investment Fund Management Limited (general partner) (hereinafter referred to as the "great Sichuan") invested RMB 10 million, Citic Trust Co. Ltd (hereinafter referred to as CITIC Trust) invested RMB 4.5 billion, and the company invested RMB 500 million to jointly set up the Xingchuan fund. In May 2016, all partners of the Xingchuan fund signed the "limited priority partnership share forward acquisition agreement" with the Xingchuan Industry Guide fund. According to the agreement, if the company's mandatory acquisition obligations triggered, in accordance with the time stipulated in this Agreement and the purchase price, the company has the priority of limited partnership shares held by CITIC trust. The triggering of compulsory acquisition obligations: a. After the CITIC Trust has paid the capital contribution, any distributable income distribution date, the distributable income obtained by the fund is less than the expected period income; b. Any investment CITIC Trust each paid in capital contribution after the corresponding return date (inclusive) before the fifth natural day, the sum accumulated in the CITIC Trust shall be less than the accumulative quota corresponding to the amount of the paid contribution; c. Any case involving the dissolution or liquidation of the fund before the expiration of the partnership fund shall include, but not limited to, the termination of the request by the regulatory institution, etc; d. Hongyuan

Xinxing invests the fund's property in areas where the partnership agreement prohibits investment (except where the investment decision board appointed by CITIC Trust voted to invest).

4. the Company and ABC-CA signed partnership shares forward repurchase agreement

Partnership Agreement signed on July 13, 2016 stipulated that The Xingchuan Fund invested RMB 750 million, Sichuan Hongyuan invested RMB 10 million, the ABC-CA Fund Management (Shanghai) Co., Ltd. (hereinafter referred to as ABC-CA) invested RMB 3 billion, jointly set up a partnership, Sichuan Development Xingcheng equity investment fund (limited partnership) (hereinafter referred to as the "Xingcheng fund"); In 14th July 2016, the Company and the ABC-CA signed "priority share of the limited partnership agreement", as a result if the Company compulsory purchase obligation is triggered, the Company in accordance with the agreement of the time and the purchase price shall purchase premium limited partnership shares of Xingcheng fund held by ABC-CA.Trigger condition of acquisition obligation: a. During the period of investment, the fund failed to follow the "partnership agreement" agreement on the distribution of income to the period of ABC-CA pay income, profit distribution or payment of income, profit distribution does not meet the "partnership agreement" agreed priority each paid in capital limited partner in the accounting period of the expected return (i.e., the annual rate of return of 4.75%/); b. In the investment period of ABC-CA, the fund failed to follow the "partnership agreement" agreement on investment or investment return to the day ahead of the return of ABC-CA return of principal and payment of income, the return of principal and payment of income has not reached the "partnership agreement" agreement.

5. the Company and Communications International Trust Co. signed partnership shares forward repurchase agreement

The Company, Industrial Guidance of Fund, Sichuan Hongyuan, and Bank of Communications International Trust Co. signed Cooperation Agreement and Supplemental to Cooperation Agreement, agreeing to incorporate Sichuan Development Xingzhan Industrial Guidance Funds Partnership Enterprises. Sichuan Hongyuan subscribed contributions 1 million yuan, Bank of Communications International Trust subscribed contributions 2.7 billion yuan as premium partner, and the Company subscribed contributions 500 million yuan. The Company signed Purchase Agreement with Bank of Communications International Trust Co. If Bank of Communications International Trust Co. holds premium limited partnership shares in accordance with Supplemental to Cooperation Agreement, the Company shall forward purchase the shares Bank of Communications International Trust holds. Purchase price is the sum of capital and the investment income of shares of premium limited partnership. The calculation is as follows: Accrual payment= balance of initial capital *5.39%* the actual days of the capital existing/360. Bank of Communications International Trust can get the money after deducting the investment income it get during investment period.

6. Property Transfer Agreement Signed with the DongzhengRonghui Securities Asset Management Co., Ltd.

From December 2015 to 2016, Energy Investment Group, Xincheng Co., Xincheng Fund, and three financial institutes -Dongzheng Ronghui securities asset management Co., Ltd (hereinafter referred to as the Dongzheng Ronghui), Southern Capital Management Co., and ICBC Ruixin signed Property Transfer Agreement and Agreement of Make up for Deficit respectively. The agreements above made commitments of making up deficit of priority partners equity and transferring equity when investment expiration in Xinzhe Fund, Xinxia Fund, and Xilv Fund.

Xinzhe Fund received priority investment shares of Dongzheng Ronghui held by Energy Investment Group, and Xinzheng Fund has the right to require Energy Investment Group make the transferring commitments if Dongzheng Ronghui has dishonest acts and worse operation situations. Xinxia Fund received priority investment shares of Southern Capital Management Co., from Xincheng Co. and the Energy Investment Group shall make up the deficit. Xilv Fund received priority investment shares of ICBC Ruixin from Xincheng Co. and paid transferring price and commitments gains in 4 installments within 5 years. The Energy Investment Group will make up the deficit.

Pursuant to the agreement above, Energy Group recognized accrued interest amounted to 124,168,717.76, 230,725,000.00, and 169,275,000.00 in 2016, 2017, and 2018 respectively. As of 31 December, 2018, the balance of accrued liability- accrued interest on commitments on transferee shares in partnership is 524,168,717.76.

7. Sanxin Co. and Tianfu Hongwei signed Agreement on Equity Transfer of 8.02% CETC Avionics Co.

Sanxin Co. (Party A) and Sichuan Tianfu Hongwei Civil military integration Development Equity Fund (LP) (hereinafter refer as to Party B) signed agreement on equity transfer of 8.02% CETC Avionics Co. on March 5, 2018. Sanxin Co. transferred all shares it held of CETC Avionics Co accounted for 8.02 of the CETC Avionics Co shares to Tianfu Hongwei with the consideration of 240,983,010.72 and recognized gains 40,843,980.54.

Sanxin Co. signed supplementary contract with Party B to ensure mutual interests and investment value of the consideration equity on March 5, 2018. Pursuant to the supplementary contract, as of September 30, 2023, Party B has the right to require Party A repurchase the equity with the price and term described in agreement if the following conditions are satisfied:

CETC Avionics Co cannot list in main board, small and medium board, and GEM; the average annualized net assets/ shares in which net assets defines as net assets contributes to parent company during 2018-2022 increases lower than 6.5%.

If the conditions are satisfied and Party B requires Party A repurchase the equity, the price Party A needs to pay depends on the higher result of the following calculation: evaluation value of net assets (based on September 30, 2023) approved by Party B's supervisor, the formation is following: price=evaluated net assets/share* shares of consideration- dividends during the term; or calculated by annualized interest rate of 8.5%: price=240,983,010.72 * (1+8.5%*the days between date of Party B pay for the equity and date of Party B expected to receive the money/365)- dividends during the term. Pursuant to the agreement, Sanxin recognized accrued liability amounted to 16,779,680.05.

2. Signed significant leasing contracts being or to be performed and their financial impact

As of December 31, 2018(T), the minimum lease payment and minimum lease receipts (annual average static rental) of the irrevocable leasing contract signed by the Group are as follow:

Period	Minimum lease payment	Minimum lease receipts
T+1 year	2,561,645,587.64	1,493,519,921.23
T+2years	2,251,060,192.92	1,227,396,754.04
T+3years	1,673,255,865.36	974,474,655.62
Over T+3years	3,792,164,751.96	2,880,512,388.26
Total	**10,278,126,397.88**	**6,575,903,719.15**

3. Business commitment of restructure of Energy Investment Group and Sichuan Chemical

According to theRestructure Plan and the selection of investors of Sichuan Chemical, Energy Investment Group became one of investors and transferred the capital reserve of Sichuan Chemical Co., Ltd.(hereinafter refers to as "Sichuan Chemical") to increase the 332,800,000 stock shares. On October 28, 2016, Energy Investment Group which the representative of the joint of restructure investors signed the Restructure Investment Agreement of Sicuhan Chemical (hereinafter refers to as "Investment Agreement"), according the fifth and sixth articles stipulated in the investment agreement, Energy Investment Group committed to Sichuan Chemical as follow:

(1) Realized audited net profit attributes to the Parent of Sichuan Chemical in 2017 shall not be less than RMB 0.315 billion, realized audited net profit attributes to the parent in 2018 shall not be less than 0.35 billion. If the actual realized net profit is less than the committed net profit mention above, Energy Investment Group will supplement the difference of unreached committed net profit within one month after the annual audit report of the corresponding accounting period is issued in cash.

(2) The shares obtained from the increase share by transferred capital reserve of Sichuan Chemical through the agreement, if the net profit is not satisfied he committed net profit within the committed period, the shares shall not be sold in the secondary market or transferred by the agreement or in other method to withdraw before supplementing with sufficient cash.

There is no commitment need to obey in 2017. In 2018, the Sichuan Chemical's net profit lower than the net profit in commitment, Energy Group needs to make up the deficit amounted to 49.0482 million.

4. Other commitments

1. Unpaid capital injection commitment as of December 31, 2018 (Unit: 0000'):

Investee	Committed capital injection	December 31, 2017	
		Paid	Unpaid
Sichuan Shangshi Environment Investment Co.	8,000.00	1,600.00	6,400.00
Sichuan Development Ruixin Investment Co., Ltd.	6,000.00	1,200.00	4,800.00
Sichuan Dinghao Development Equity Investment Fund Management Co., Ltd.	3,000.00	900.00	2,100.00
Water Environment	8,000.00	1,200.00	6,800.00
Sichuan Chengyu Development Equity Investment Funds Center	30,000.00	3,010.52	26,989.48
Xintu Investment	20,000.00	4,000.00	16,000.00
Chengdu Zhongche	3,000.00	600.00	2,400.00
Xinjin Modern Tram Demostration Project	约 51,600.00	9,360.00	约 42,240.00
Panzhihua Railway	8,000.00		8,000.00
Anhui Xinzhu Aowei	1,000.00		1,000.00
Beijing Huading New Energy Equity Investment Fund (Limited Partner) Co., Ltd.*1	2,000,000.00	406,200.00	1,593,800.00

*1:In May 2016, Energy Investment Group signed partnership agreement with Beijing Huagai Dingsheng Investment Management (Beijing) Co., Ltd. (hereinafter referred to as Huagai Dingsheng) and Beijing Huagai Dingsheng New Material Equity Investment Fund (limited partnership, hereinafter referred to as Huading Xincai), jointly set up Beijing Huading Xindongli Equity Investment Fund (limited partnership) (hereinafter referred to as the Huading Xindongli), Energy Investment Group and Huading New Material are limited partner, Huagai Dingsheng is general partner and managing partner. The agreement stipulated in the fund size of RMB 20.202 billion, which Energy Investment Group subscribed RMB 20 billion, Huading New Material subscribed RMB 200 million, Huagai Dingsheng subscribed RMB 2 million. According to the agreement, the executive partner shall charge 2% as the management fee and 20% as the fund's return on the fund from the actual managing fund. The partnership agreement stipulated that Huading Xindongli annually pay the general partner 2% of total capital contribution at the beginning of the year as management fee, and 20% of cash income such as current dividends, interest income of every single project and investment income of the every single project should be distributed to the general partner Huagai Dingsheng. As of December 31 2018, the Energy Group has invested RMB 4.062 billion.

2. As of December 31 2018, for Xinhua Group, commitment of purchase of long-term assets which have been contracted or authorized by the board of directors but not recognized on the financial statements are RMB 102.88 million.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of commitment for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

X. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Adjustments matters subsequent to the balance sheet date

None

2. Non-adjustments matters subsequent to the balance sheet date

1. Significant Financing Activities

(1) The company got the approval of issuing 15 billion corporate bonds to qualified investors

On March 4, 2019, the Company got the *approval of Sichuan Development Co., Ltd issuance of corporate bonds to qualified investors* (Zhengjianxuke(2019) No. 292) and was allowed to issue 15 billion corporate bonds to qualified investors. The bonds were issued by installments, and the initial issuance shall complete within 12 months from the date of approval of the issuance; the issuance of the remaining bonds is within 24 months from the date of approval of issuance. As of the report date, the bonds are not yet issued.

(2) The company got the approval of issuing 5 billion medium-term notes to qualified investors

According to the 77th session of second board of the Company, the Company approve the Plan of Certified Issuance of 2018-2019 Interbank Debt Financial Instrument and the total amount is less than 13 billion, including mid-term notes amounted to no more than 11 billion, and perpetual notes amounted to no more than 2 billion. The Company successfully issued 3 mid-term notes with note interests of 4.08%, and term of 3 years on 22 April, 2019. the Company successfully issued 1 billion mid-term notes with note interests of 4.06% and term of 5 years on 29 April, 2019; the Company successfully issued 1 billion notes payable note interests of 4.90% and term of 7 years on 22 April, 2019.

(3) Road & Bridge Co., the subsidiary of Railway Investment, issued RMB 400 million short-term commercial paper

Pursuant to the *Registration Notice* issued by National Association of Financial Market Institutional Investors (NAFII) *(China Association of Foreign Trade [2018] CP78),* the commercial paper's registered amount is RMB 2 billion and will be effective within 2 years from the date of May 25, 2018. The paper is underwritten by China Minsheng Banking Co., Ltd. Road & Bridge Co. issued commercial paper with the amount of RMB 400 million, the paper rate of 3.55%, and the price of RMB 100/note on March 22, 2019.

2. Significant Investing Activities

(1) Financial Holding invested Sichuan Jinkong Jiaze Co.

On 21 February 2019, Financial Holding invested Sichuan Jinkong Jiaze Co. (hereinafter refer as Jinkong Jiaze) by cash investment of 1 billion and held 100% of the equity. As of the report date, Jinkong Jiaze has completed the commercial modification procedures, but Financial Holding did not invest temporally.

(2) Big Data, Sichuan Xinsheng Stated-owned Reform and Development Equity Investment Fund (hereinafter refer as to Guogai Fund) completed increasing capital in Beijing Huayu Software Co. (hereinafter refer as to Huayu Software)

Pursuant to the resolution of 83th session of second board of directors, the Company approved Big Data and Guogai Fund to attend inquiry issue of Huayu Software (300271.SZ) to public investors in the form of A shares. Big Data subscribed 34.1994 million shares with price of 645.00 million, accounting for 4.22% of the total 0.81 billion shares. Guogai Fund subscribed 8.4836 million shares with price of 160.00 million, accounting for 1.05% of the total 0.81 billion shares.

(3) Guorun Environment is planning to purchase Beijing SPC Environment Protection Tech Co., Ltd (hereinafter refer as to SPC)

On April 22, 2019, Guorun Environment held 116th meeting of second board of directors, approving the resolution of purchasing SPC's shares. On April 24, 2019, 85th meeting of second board of directors the Company held issued Notes of Decision of Shareholders, approving Guorun Environment acquired 25.31% shares of SPC from Beijing Shiji Dihe Holding Co. (hereinafter refer as to Shiji Dihe), the controlling shareholder of SPC, and its actual controller Zhangkaiyuan (note: the total shares of Qingxin Environment are 1.081 billion). Pursuant to the Agreement of Equity Transfer signed by Guorun Environment and Beijing Dihe, Guorun Environment will acquire 273.67 million shares with price of 2484.9236 million. the transfer of agreement was in progress.

3. Profit distribution

(1) profit distribution of Road & Bridge Co.

Road & Bridge Co. held 4th meeting of 7th board of directors on April 18, 2019, approving profit distribution of 2018: based on 3,610.5255 million shares, board of directors proposed a distribution of cash dividends of RMB 180.5263 million at RMB 0.5 per 10 shares (including tax).

(2) profit distribution of Xinhua Winshare Co.

Winshare Co. held meetings of board of directors on March 27, 2019, approving the 2018 profit distribution of RMB 370.1523 million at 0.3 per share (including tax) based on surplus reserve as at 2018. The resolution shall be approved by general meetings dated May 21, 2019.

(3) profit distribution of Chengyu Expressway

Chengyu Expressway held 25th meeting of 6th board of directors on April 18, 2019, approving profit distribution of 2018: withdrawal the legal surplus reserve and free surplus reserve of RMB 102,209,586.31

and 306,628,758.94 respectively based on 10% and 30% net income of parent company. Based on 3,058,060,000 shares, board of directors proposed a distribution of cash dividends of RMB 305,806,000.00 at RMB 0.1 per share (including tax). The plan is to be submitted to the shareholders' meeting for approval.

Since the consolidation of the financial statements of the group's subsidiaries, the possibility of incomplete disclosure of commitment for a variety of reasons by companies may exist. This consolidated statement is only disclosed based on company's disclosures.

XI. RELATIONSHIPS OF RELATED PARTIES AND THEIR TRANSACTIONS

1. Relationships of related parties

(1) Parent company and ultimate controlling company

Name of parent company and ultimate controlling company	Place of registration	Nature of business	Proportion of shareholding (%)	Proportion of voting right (%)
State-Owned Assets Supervision & Administration Commission of Sichuan Province	--	--	100.00	100.00

(2) Subsidiaries

See details in Note VI (I) General information of second-level subsidiaries and some major third-level subsidiaries included in consolidated financial statements during the year.

(3) Joint ventures and associates

See details of major joint ventures and associates of the Group in Note VII (XV) Relevant information disclosed by long-term equity investments.

(4) Other related parties

Relationship	Name of related party	Main transaction
Other related parties		
	Sichuan Wanhong Investment Management Co., Ltd	borrowing

2. Related party transactions

(1) Purchasing and receiving services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Commercial Press (Chengdu) Co., Ltd	26,735,090.45	
Sichuan Airlines Co., Ltd.	108,122.72	830,430.00
Liangshan Xinhua Winshare	875,347.82	
Renmingdongfang (Beijing) Publishing Co.,Ltd.	3,018,867.92	3,066,037.75

Relationship and name of the related parties	Amount for this year	Amount for last year
Shanghai Jingjie Information Technology Co.,Ltd.		
Mingbo Education Technology Co., Ltd	13,345,488.44	16,828,239.37
Hainan Publishing House	5,150,546.53	3,425,374.02
Total	**49,233,463.88**	**24,150,081.14**

(2) Sales of goods and rendering of services

Relationship and name of the related parties	Amount for this year	Amount for last year
Joint ventures and associates		
Including: Sichuan Airlines Co., Ltd	473,872,823.86	527,682,558.30
Chengdu Airlines Co., Ltd	69,164,125.24	43,531,960.70
Sichuan Shida Industrial Salt Co., Ltd	19,557,787.22	31,527,388.57
Sichuan Wanhong Investment and Management Co., Ltd		424,528.29
Liangshan Xinhua Winshare	1,446,847.31	
Sichuan Xinzhu Vehicle Co.	3,756,510.72	
Total	**567,798,094.35**	**603,166,435.86**

(3) Related party lease

Lesser	Lessee	Assets leased	Amount involved in assets lease	Start date	Termination date	Rental income
Sichuan Airlines Group	Sichuan Airlines Co., Ltd	Airline Garden parking lot	9,448,200.93	2007.01.01	2018.12.31	546,666.68
		Sichuan Airlines Jiayuan parking lot	6,976,620.44	2007.07.01	2018.12.31	288,000.00
		42 housing	1,871,105.75	2007.01.01	2018.12.31	159,270.16
		4 vehicles	50,857.90	2007.01.01	2018.12.31	93,103.44
Sichuan Airlines Tianxiang Company	Fuhang Capital	No.7-14,11 floor, Furun International Square,266# Second Street of Tian Fu	12,296,161.48	2014.8.01	2019.7.31	1,043,005.73
Sichuan AMECO	Sichuan Airlines Co., Ltd	Parking lot, warehouse	432,815.16	2016.07.01	2018.06.30	62,500.00
	Chengdu Airlines Co., Ltd			2016.11.01	2019.10.30	824,279.41
Sichuan Airlines Group	Sichuan Airline Kelite Co.	House		2018.1.1	2018.12.31	257,241.60

Lesser	Lessee	Assets leased	Amount involved in assets lease	Start date	Termination date	Rental income
Sichuan Airlines Group	Sichuan General Airline Investmet n Managem ent Co.	House		2018.9.3	2019.9.2	17,072.00

(4) Borrowed funds of related parties

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
Land company	Sichuan Hongjing Sichuan Investment Co., Ltd.	27,300,000.00	9.00%	2018-3-16	2019-3-15
		45,900,000.00	9.00%	2018-6-12	2019-6-11
		19,500,000.00	9.00%	2018-6-6	2019-6-11
		6,000,000.00	9.10%	2018-9-18	2019-6-5
		21,900,000.00	9.00%	2017-3-18	2018-3-16
		45,900,000.00	9.00%	2017-6-13	2018-6-12
		10,000,000.00	9.00%	2017-6-7	2018-6-6
Land company	Chengdu Senxinyuan Trading Co.	180,615,720.00	12.00%	2017-12-18	2019-12-18
	Chengdu Senxinyuan Trading Co.	3,920,000.00	13.00%	2018-12-7	2019-12-6
Land company	Renshou Shuheng Real Estate Co.	75,475,500.00	12.00%	2017-3-24	2019-3-23
		21,030,000.00	12.00%	2017-7-12	2018-7-31
		300,000.00	12.00%	2017-11-16	2018-7-31
		9,190,000.00	12.00%	2018-3-23	2018-7-31
		300,000.00	12.00%	2018-5-31	2018-7-31
		3,622,044.25	13.00%	2018-7-31	2019-7-30
		106,295,500.00	15.00%	2018-8-1	2019-7-31
		3,740,000.00	13.00%	2018-9-21	2019-9-20
Land company	Renshou Shurun Real Estate Co.	74,420,000.00	12.00%	2017-3-24	2018-7-31
		10,000,000.00	12.00%	2017-7-12	2018-7-11
		200,000.00	12.00%	2017-11-16	2018-7-31
		9,060,000.00	12.00%	2018-3-23	2018-7-31
		200,000.00	12.00%	2018-5-31	2018-7-31
		2,105,649.33	13.00%	2018-7-31	2019-7-30
		83,910,000.00	15.00%	2018-8-1	2019-7-31
Land company	Renshou Shufeng Real Estate Co.	70,177,500.00	12.00%	2017-3-24	2018-3-23
		30,000,000.00	12.00%	2017-7-12	2018-7-31
		68,030,000.00	12.00%	2017-7-20	2018-7-31
		240,000,000.00	12.00%	2017-9-7	2018-7-31
		13,365,000.00	12.00%	2017-10-27	2018-7-31
		14,530,000.00	12.00%	2017-11-8	2018-7-31
		390,000.00	12.00%	2017-11-16	2018-7-31
		8,540,000.00	12.00%	2018-3-23	2018-7-31

Lender	Borrower	Borrowed amount	Annual interest rate（%）	Beginning date	Matured date
		540,000.00	12.00%	2018-5-31	2018-7-31
		24,629,415.25	13.00%	2018-7-31	2019-7-30
		445,572,500.00	15.00%	2018-8-1	2019-7-31
		330,000.00	13.00%	2018-9-21	2019-9-20
		1,925,000.00	13.00%	2018-12-10	2019-12-9
Land company	Renshou Shujing Real Estate Co.	84,540,400.00	12.00%	2017-3-24	2019-3-23
		41,030,000.00	12.00%	2017-7-12	2018-7-31
		310,000.00	12.00%	2017-7-12	2018-7-31
		10,290,000.00	12.00%	2018-3-23	2018-7-31
		310,000.00	12.00%	2018-5-31	2018-7-31
		5,276,762.71	13.00%	2018-7-31	2019-7-30
		136,480,400.00	15.00%	2018-8-1	2019-7-31
Land company	Renshou Xinghe Real Estate Co.	73,110,600.00	12.00%	2018-3-24	2018-7-31
		37,000,000.00	12.00%	2017-6-28	2018-6-27
		37,000,000.00	12.00%	2018-6-28	2018-7-31
		8,900,000.00	12.00%	2018-3-23	2018-7-31
		21,456,900.00	12.00%	2017-5-9	2018-7-31
		3,700,000.00	12.00%	2018-6-27	2018-7-31
		2,544,962.66	13.00%	2018-7-31	2019-7-30
		144,167,500.00	15.00%	2018-8-1	2019-7-31
		17,930,000.00	13.00%	2018-9-21	2019-9-20
		47,300,000.00	13.00%	2018-12-10	2019-12-9
Sichuan Wanhong Investment Management Co., Ltd	Energy New City Investment Company	320,000,000.00	7.80%	2016-12-30	2019-12-30
		50,000,000.00	7.80%	2018-7-17	2019-1-17
		50,000,000.00	7.80%	2018-8-2	2019-2-1
		100,000,000.00	7.80%	2018-8-31	2018-8-31
		100,000,000.00	7.80%	2018-9-3	2019-9-3
Sichuan Wanhong Investment Management Co., Ltd	Qizanggou Travel Investment Development Co., Ltd.	50,000,000.00	Not agreed	2016-12-30	Not agreed
Sichuan Wanhong Investment Management Co., Ltd	Chengdu Western Impression Real Estate Co., Ltd.	139,000,000.00	10%	2016-12-30	Not agreed
Sichuan Wanhong Investment Management Co., Ltd	Sichuan Niubeishan Tourism Development Co., Ltd.	200,000,000.00	10%	2017-5-5	2018-5-5
	Total	**3,359,261,354.20**	—	—	—

3. The balances of related parties

(1) Accounts receivables due from related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	49,231,225.43	99,891,517.52
Sichuan Shida Industrial Salt Co., Ltd.	3,041,159.08	9,763,658.40
Chengdu Airlines Co., Ltd.	14,209,223.53	6,133,705.27
Sichuan Xiaojinhe Hydropower Co.	6,318,983.29	6,230,835.99
Shanghai Jingjie Information Technology Co.	195,984.00	
Sichuan Wanhong Investment and Management Co.	31,504,280.00	
Mianxian Dingdingrunwu Trading Co.	25,463,946.21	
Sichuan Energy Liangli Logistics Development Co.	6,547,056.80	
Sichuan Xinzhu Vehicle Co.	5,552,544.80	
Less: Provision for bad debt	1,291,032.32	502,390.34
Total	**140,773,370.82**	**121,517,326.84**

(2) Prepayment of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	67,924.53	67,924.53
Mingbo Education Technology Co.	1,200,000.00	
Deyang Chuanneng Technology Co.	5,080,245.58	
Less: Provision for bad debt		
Total	**6,348,170.11**	**67,924.53**

(3) Other receivables of related parties

Related party	Ending balance	Beginning balance
Sichuan International Cooperation Co.	86,758,498.02	110,223,050.11
Sichuan Airlines Co., Ltd	2,698,664.00	2,156,527.96
Sichuan Juxin Development Equity Investment Fund Management Co., Ltd	100,072,966.76	200,045,765.81
Chengdu Airlines Co., Ltd	1,823,330.40	744,581.07
Chengdu Huagao Ruitian Technical Co., Ltd		51,038,195.49
Sichuan Financial Asset Transaction Co., Ltd.	7,680.00	7,680.00
Neijiang Xincheng Development Investment Co., Ltd.		15,031,105.55
Sichuan Lvke Fruit and Vegetable Drinks Co., Ltd.		1,503,852.03
Chengdu Minsheng Xishen Investment Co., Ltd.		297,551,275.82
Sichuan Jinyangshan Maomugou Eletric Power Co.		2,138,541.67
Sichuan United Environment Exchange	30,693.27	30,693.27
Tibetan E-commerce Co.	19,799,975.03	271,696.37
Sichuan Xincheng Equity Investment Funding Management Co.		11,435.89
Jiulong Rongxin Electricity Power Co.	50,151,116.41	51,151,116.41
Guangxi Sunfor Co.		3,459,780.98

Related party	Ending balance	Beginning balance
Sichuan Jinhong Chuanfa Real Estate Co.	98,700,000.00	77,800,000.00
Sichuan Xiaojinhe River Hydropower Co.	51,821,923.48	59,957,588.52
Shanghai Jinxin Information Technology	10,478.80	
Sichuan Sibaiyi Jinding Equity Investment Funding Co.	25,000,000.00	
Sichuan Energy Smart City Co.	8,429,897.08	
Sichuan Energy Liangshan Energy Investment Co.	16,000,000.00	
Sichuan Energy Liangli Logistics Development Co.	78,497,545.46	
Sichuan Dadu River Shuangjiangkou Hydropower Development Co.	532,255,044.44	
Sichuan Ruikong Industrial Co.	267,686,680.92	
Sichuan Yitongda Architectural & Engineering Design Co., Ltd	51,916,666.67	
Sichuan Yanjiang Panning Expressway Co.	120,876.09	
Chengdu Senxinyuan Trading Co.	184,535,720.00	
Renshou Xinhe Real Estate Co.	212,000,711.83	
Renshou Shufeng Real Estate Co.	472,456,915.25	
Renshou Shurun Real Estate Co.	113,657,544.25	
Renshou Shujing Real Estate Co.	86,015,649.33	
Renshou Shufeng Real Estate Co.	141,757,162.71	
Sichuan Xinzhu Auto Co.	360,206,901.03	
Sichuan Wudu Power Station	15,000,000.00	
Sichuan Gaowei Sports Development Co.	315,000,000.00	
Less: Provision for bad debt	443,497,341.75	100,818,803.57
Total	**2,848,915,299.48**	**772,304,083.38**

(4) Long-term receivables due from related parties

Related party	Ending balance	Beginning balance
Tibetan E-commerce Co.,Ltd.	61,722,666.67	
Total	**61,722,666.67**	**300,000,000.00**

(5) Accounts payable due to related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd	5,710,871.20	2,089,169.04
Commercial Printings (Chengdu) Co., Ltd	8,096,016.99	10,190,017.68
Shanghai Jingjie Technology Co.,Ltd.	18,941.36	100,157.79
Sichuan Deyang Xingchen Packaging Co., Ltd		1,046,881.96
Hainan Publishing House Co., Ltd		112,499.36
Mingbo Education Technology Co., Ltd.	190.00	18,941.36

Related party	Ending balance	Beginning balance
Sichuan Xinzhu Auto Co.	35,900.00	
Total	**13,861,919.55**	**13,557,667.19**

(6)Prepayment of related parties

Related party	Ending balance	Beginning balance
Mingbo Education Technology Co., Ltd.	1,360,000.00	1,360,000.00
Chengdu Ruiyinfangda Equity Fund Management Co.	128,669.05	
Sichuan Ruikong Industrial Co.	277,946.03	
Sichuan Dadu River Shuangjiangkou Hydropower	713,932.24	
Total	**2,480,547.32**	**1,360,000.00**

(7) Other payables of related parties

Related party	Ending balance	Beginning balance
Sichuan Airlines Co., Ltd.	9,409,222.51	14,808,366.40
Sichuan International Consulting Co.,Ltd.		5,733,264.11
Sichuan Fuhang Capital Equity Investment Funds	83,520.00	83,520.00
Sichuan Guoxing Commercial Information Co., Ltd.	14,518.53	15,925.08
Mingbo Education Technology Co., Ltd.		88,084.04
Sichuan Wanhong Investment Management Co., Ltd.	812,421,072.00	642,575,572.00
Tibet E-Commerce Co.	1,302,541.30	
Sichuan Winshare Baowan Supply Chain Co.	6,108,537.18	
Sichuan Energy Liangli Logistics Development Co.	13,251,037.13	
Sichuan Xintei Mining Co.	104,330.80	
Sichuan Ruikong Industrial Co.	305,740.62	
Chengdu Ruiyinfangda Equity Fund Management Co.	424,607.78	
Sichuan Wudu Power Station	15,000,000.00	
Total	**858,425,127.85**	**663,304,731.63**

Since the consolidation of the financial statements of the group's subsidiaries, the difference of understanding and disclosure of related parted transaction by companies is exist. This consolidated statement is only disclosed on the basis of the company's disclosures.

XII. EXPLANATORY NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Other receivables

Items	Closing balance	Opening balance
Interest receivables	610,656,682.03	570,164,525.79

Dividend receivables	629,841,885.69	177,482,200.95
Other receivables	11,839,567,417.43	10,393,022,456.17
Total	**13,080,065,985.15**	**11,140,669,182.91**

(1). Interest receivables

Items	Closing balance	Opening balance
Interest of entrusted loans	311,656,089.29	146,692,594.45
Interest of unified loans	255,760,686.20	385,735,819.81
Others	37,736,111.53	37,736,111.53
Interest of financial product	5,503,795.01	
Total	**610,656,682.03**	**570,164,525.79**

(2). Dividend receivables

Item	Opening balance	Increase	Decrease	Closing balance
Pharmaceutical Group		5,937,144.06	5,937,144.06	
Energy Development		1,995,008.00	1,995,008.00	
Yibin Haisite Fibre Co.		143,500.00	143,500.00	
Avic Chengdu Civil Aircraft Co.		1,860,196.80	1,860,196.80	
Sanxin Co.	166,000,000.00	48,776,300.00	48,776,300.00	166,000,000.00
Development International	11,482,200.95		11,482,200.95	
Xinan Exchange		16,000,000.00	16,000,000.00	
Guiding Fund		7,770,000.00	7,770,000.00	
Yusheng Wine		6,036,250.00	6,036,250.00	
Tianfu Area Investment		8,405,240.33	8,405,240.33	
Guoye Construction		611,645.46	611,645.46	
Financial Holding		108,729,500.00	108,729,500.00	
Guohui Micro-loan Co.		9,817.89	9,817.89	
Chengdu CRRC Sifang Guidao		449,041.38	449,041.38	
Shengwan Hongyuan		56,227,181.65	56,227,181.65	
Equity Investment Fund		63,113,800.00		63,113,800.00
Guorun Environment		40,728,085.69		40,728,085.69
Land Company		71,000,000.00		71,000,000.00
Urban-rural Construction Co.		289,000,000.00		289,000,000.00
合计	**177,482,200.95**	**726,792,711.26**	**274,433,026.52**	**629,841,885.69**

(3). Other receivables

Category	Ending balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	6,177,416,990.49	50.45	320,000,000.00	5.18
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——
Ageing combination	1,795,685.99	0.01	154,438.10	8.60
Related-party combination	5,819,284,666.50	47.53	6,983,500.00	0.12
Provision combination	50,840,169.34	0.42		
Subtotal	5,871,920,521.83	47.96	7,137,938.10	0.12
Individually insignificant other receivables for which provision for doubtful debts is made individually	194,407,390.98	1.59	77,039,547.77	39.63
Total	**12,243,744,903.30**	**100.00**	**404,177,485.87**	**3.30**

(Continued)

Category	Beginning balance			
	Book value		Provision for doubtful debt	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables for which provision for doubtful debts is made individually	6,168,074,117.24	56.75	320,000,000.00	5.19
Other receivable for which provision for doubtful debts is made by combination	——	——	——	——
Ageing combination	17,064,341.01	0.16	1,622,555.85	9.51
Related-party combination	4,461,489,081.88	41.04	78,050,000.00	1.75
Provision combination	6,755,193.11	0.06		-
Subtotal	4,485,308,616.00	41.26	79,672,555.85	1.78
Individually insignificant other receivables for which provision for doubtful debts is made individually	216,351,826.55	1.99	77,039,547.77	35.61
Total	**10,869,734,559.79**	**100.00**	**476,712,103.62**	**4.39**

(1) Other receivables with doubtful debt provision made using aging analysis method

Item	Ending balance		Beginning balance	
	Balance	Provision for doubtful debt	Balance	Provision for doubtful debt
Within 1 year	1,333,107.59	66,655.38	14,780,672.50	739,033.63
1-2years	369,107.46	36,910.75	42,485.92	4,248.59
2-3years			1,218,997.80	365,699.34
3-4 years	85,197.94	42,598.97	1,013,911.79	506,955.89
4-5 years			8,273.00	6,618.40
Over 5 years	8,273.00	8,273.00		
Total	**1,795,685.99**	**154,438.10**	**17,064,341.01**	**1,622,555.85**

(2) related parties' combination with bad provision

Debtor	Book value	Provision	Age	Reasons for provision
Shuyu Mining Co.	273,550,000.00	6,983,500.00	Within 1 year	Provision made according to estimated loss
Total	**273,550,000.00**	**6,983,500.00**		

(3) Other significant individual receivables with debt provision made using individual determination method

Debtor	Book value	Provision	Age	Reasons for provision
Funds appropriated on behalf of Department of Finance of Sichuan Province	5,091,545,405.00		3-5 years	*1
Special financial receivables	320,000,000.00	320,000,000.00	Over 5 years	Provision made according to estimated loss
Department of Finance of Sichuan Province – payments made for others	308,057,662.69		1-5 years	To be settled with the Department of Finance, with no provision for bad debts made
Sichuan Development Investment Co.	177,813,922.80		2-4 years	Expected to be collected
Jinniu Hotel	180,000,000.00		Within 1 year	Expected to be collected
Entrusted loans and interest	100,000,000.00		Within 1 year	Expected to be collected
Total	**6,177,416,990.49**	**320,000,000.00**		

Note1: Funds appropriated on behalf of Department of Finance of Sichuan Province refer to funds appropriated by the Company on behalf of the Department of Finance of Sichuan Province according to its

documents to support the development of enterprises in the province. Settlement is made with the Department of Finance after the completion of all appropriations, with no provision for impairment made.

(4) Other insignificant individual receivables as of the end of the year but with bad debt provision made on individual basis

Name	Book value	Provision for doubtful debt	Reasons for provision
Sichuan Textile Industry Apparel, Footwear and Headwear Company	5,000,000.00	5,000,000.00	The other party is on the verge of bankruptcy; unlikely to be recovered
Sichuan Business School	2,538,960.21	2,538,960.21	Overdue for a long time period and expected of non-recovery
Sichuan Chemical Holding (Group) Co., Ltd.	85,325,633.00	50,000,000.00	Accrued the expected loss
Zongfu Industrial (Group) Co. Ltd.	19,500,587.56	19,500,587.56	Uncertainty of repaying capability
Beijing Equity Exchange	75,000,000.00		Expected to be collected
Salary of subsidiaries' CFO	7,042,210.21		Expected to be collected
Total	**194,407,390.98**	**77,039,547.77**	

2. Long-term equity investment

(1) Classification of long-term equity investment

Item	Beginning balance	Increase during the year	Decrease during the year	Ending balance
Investment in subsidiary	115,451,502,436.40	13,045,976,533.64	36,400,000.00	128,461,078,970.04
Investment in associates	14,780,305,704.32	11,945,786,490.60	506,581,911.90	26,219,510,283.02
Total book value	**130,231,808,140.72**	**24,991,763,024.24**	**542,981,911.90**	**154,680,589,253.06**
Less: Provision for impairment				
Carrying amount	**130,231,808,140.72**	**24,991,763,024.24**	**542,981,911.90**	**154,680,589,253.06**

(2) Details of long-term equity investment

Name of investee	Beginning balance	Increase	Decrease	Ending balance
Sichuan Communications	54,076,764,353.90	8,777,467,100.00		62,854,231,453.90
Sanxin Company	1,505,000,000.00			1,505,000,000.00
Energy Investment Development	7,563,092,161.75	233,000,000.00		7,796,092,161.75
Equity Fund	100,000,000.00			100,000,000.00
Airlines Group	531,876,421.19	152,000,000.00		683,876,421.19
Publishing Group	1,499,543,907.61			1,499,543,907.61
Xinhua Group	2,856,258,619.78			2,856,258,619.78

Name of investee	Beginning balance	Increase	Decrease	Ending balance
Nonferrous Technology	18,820,826.11			18,820,826.11
Salt Industry Investment	236,697,833.37			236,697,833.37
Wood factory	889,696,923.36			889,696,923.36
State-Owned Investment	22,939,413.43			22,939,413.43
State-Owned Assets Operation	409,729,108.92			409,729,108.92
Railway Investment Group	2,123,427,057.83			2,123,427,057.83
Mineral Investment Group	22,779,612,900.37	1,100,000,000.00		23,879,612,900.37
Industry Group	3,000,000,000.00			3,000,000,000.00
Southwest Equity	50,000,000.00			50,000,000.00
Guocheng Fund	48,262,050.00			48,262,050.00
Development International	898,023,268.87	600,399,000.00		1,498,422,268.87
Tianrui Mining	1,123,528,800.00			1,123,528,800.00
Sichuan City Investment Co., Ltd.	4,000,000,000.00			4,000,000,000.00
Water Environmental Protection	100,000,000.00			100,000,000.00
Development Tianfu	60,000,000.00			60,000,000.00
Development Wine	35,000,000.00		35,000,000.00	
Energy Development	38,154,600.00			38,154,600.00
Nonferrous New Material	20,000,000.00			20,000,000.00
Keneng Lithium	28,000,000.00		1,400,000.00	26,600,000.00
Yielding Co.	6,213,120.41			6,213,120.41
Energy Mining	15,000,000.00			15,000,000.00
Guidance Fund	50,000,000.00	30,000,000.00		80,000,000.00
Guorui Mining	231,850,000.00			231,850,000.00
Xingchuan Fund	500,000,000.00			500,000,000.00
Beichuan Investment	30,000,000.00			30,000,000.00
Development Tonghao	600,000,000.00			600,000,000.00
Developmemnt Guoye	210,000,000.00	120,000,000.00		330,000,000.00
Guoyuan Agricultural Investment	51,000,000.00			51,000,000.00
Guorun Environment	437,832,069.50	368,944,300.00		806,776,369.50
Land Company	500,000,000.00			500,000,000.00
Financial Holding	6,935,179,000.00	420,000,000.00		7,355,179,000.00
Development Guohong	400,000,000.00			400,000,000.00
Xinzhan Fund	120,000,000.00	180,000,000.00		300,000,000.00
Guohui Micro-Credit	350,000,000.00			350,000,000.00

Name of investee	Beginning balance	Increase	Decrease	Ending balance
Credit Enhancement	1,000,000,000.00			1,000,000,000.00
Industry Zone		30,000,000.00		30,000,000.00
Big Data		25,000,000.00		25,000,000.00
Chuanfa Investment		182,000,000.00		182,000,000.00
Xinzhu Co.		827,166,133.64		827,166,133.64
Total	**115,451,502,436.40**	**13,045,976,533.64**	**36,400,000.00**	**128,461,078,970.04**

(Continued)

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the year	Cash dividend for the year
Sichuan Communications	Cost method	62,854,231,453.90	100.00			
Sanxin Company	Cost method	1,505,000,000.00	100.00			48,776,300.00
Energy Investment Development	Cost method	7,796,092,161.75	100.00			221,652,100.00
Equity Fund	Cost method	100,000,000.00	100.00			63,113,800.00
Airlines Group	Cost method	683,876,421.19	100.00			99,780,400.00
Publishing Group	Cost method	1,499,543,907.61	100.00			
Xinhua Group	Cost method	2,856,258,619.78	100.00			
Nonferrous Technology	Cost method	18,820,826.11	100.00			
Salt Industry Investment	Cost method	236,697,833.37	100.00			
Wood factory	Cost method	889,696,923.36	100.00			
State-Owned Investment	Cost method	22,939,413.43	100.00			
State-Owned Assets Operation	Cost method	409,729,108.92	100.00			
Railway Investment Group	Cost method	2,123,427,057.83	100.00			12,358,400.00
Mineral Investment Group	Cost method	23,879,612,900.37	100.00			
Industry Group	Cost method	3,000,000,000.00	49.39			
Southwest Equity	Cost method	50,000,000.00	50.00			16,000,000.00
Guocheng Fund	Cost method	48,262,050.00	49.50			
Development International	Cost method	1,498,422,268.87	100.00			
Tianrui Mining	Cost method	1,123,528,800.00	80.00			
Sichuan City Investment Co., Ltd.	Cost method	4,000,000,000.00	100.00			
Water Environmental Protection	Cost method	100,000,000.00	100.00			

Name of investee	Accounting method	Cost	Proportion of shareholding (%)	Provision for impairment	Provision for impairment during the year	Cash dividend for the year
Development Tianfu	Cost method	60,000,000.00	60.00			8,405,240.33
Energy Development	Cost method	38,154,600.00	3.10			1,995,008.00
Nonferrous New Material	Cost method	20,000,000.00	6.01			
Keneng Lithium	Cost method	26,600,000.00	47.71			
Yielding Co.	Cost method	6,213,120.41	0.51			
Energy Mining	Cost method	15,000,000.00	10.34			
Guidance Fund	Cost method	80,000,000.00	100.00			7,770,000.00
Guorui Mining	Cost method	231,850,000.00	100.00			
Xingchuan Fund	Cost method	500,000,000.00	99.90			
Beichuan Investment	Cost method	30,000,000.00	100.00			
Development Tonghao	Cost method	600,000,000.00	90.91			
Developmemnt Guoye	Cost method	330,000,000.00	60.00			611,645.46
Guoyuan Agricultural Investment	Cost method	51,000,000.00	51.00			
Guorun Environment	Cost method	806,776,369.50	90.00			40,728,085.69
Land Company	Cost method	500,000,000.00	19.72			360,000,000.00
Financial Holding	Cost method	7,355,179,000.00	100.00			108,729,500.00
Development Guohong	Cost method	400,000,000.00	100.00			
Xinzhan Fund	Cost method	300,000,000.00	99.84			
Guohui Micro-Credit	Cost method	350,000,000.00	70.00			9,817.89
Credit Enhancement	Cost method	1,000,000,000.00	25.00			
Industry Zone	Cost method	30,000,000.00	100.00			
Big Data	Cost method	25,000,000.00	100.00			
Chuanfa Investment	Cost method	182,000,000.00	100.00			
Xinzhu Co.	Cost method	827,166,133.64	15.95			
Total		**128,461,078,970.04**				**989,930,297.37**

(3) Investments in joint ventures (unit: in RMB 10 thousand)

Name of Investee	Investment Cost	Beginning Balance	Changes in this year								Ending Balance	Ending Balance of the impairment Provision
			Additional Investment	Decreased Investment	Recognized Investment Income Under Equity Method	Other Comprehensive Income Adjustment	Other Equity Changes	Announced Cash dividend or profit	Accrued Impairment Provision	Others		
Joint Ventures												
Airport Group	4,875,503,844.93	12,207,890,863.32			125,489,408.84		5,002,016,188.23				17,335,396,460.39	
Chuanrui Company	337,501,406.50	436,521,139.39		436,521,139.39								
Pharmaceutical Group	16,135,321.65	175,019,901.76			47,698,197.74			-5,937,144.06			216,780,955.44	
Shengtian New Energy	140,000,000.00	150,983,111.13	310,545,463.75		11,110,697.17						472,639,272.05	
Logistics Industry	269,750,328.52	284,318,668.24			6,861,890.09						291,180,558.33	
Sichuan Xingwen ShihaiTianxia qi Culture and Tourism Investment Co.	480,000,000.00	480,019,883.58			5,543,137.88						485,563,021.46	
Yusheng Wine Investment Management	11,495,000.00	17,233,106.67			3,853,299.55			-6,036,250.00			15,050,156.22	
Sichuan Tourism Investment Group	800,000,000.00	812,310,763.63			3,257,381.67						815,568,145.30	
Avic Chengdu Aircraft Co.	175,000,000.00	216,008,266.60			6,970,001.10			-1,860,196.80			221,118,070.90	
Guobao Life Insurance			300,000,000.00		-13,851,639.80						286,148,360.20	
Xinchengbeidou			28,600,000.00		-1,027,641.69						27,572,358.31	
Ouya Co.			25,000,000.00		-676,888.87						24,323,111.13	
Shengwan Hongyuan			5,442,791,183.72		207,593,415.59		417,952,305.31	-56,227,181.65			6,012,109,722.97	
Development Wine			15,409,347.97		650,742.35						16,060,090.32	
Total	**7,105,385,901.60**	**14,780,305,704.32**	**6,122,345,995.44**	**436,521,139.39**	**403,472,001.62**		**5,419,968,493.54**	**-70,060,772.51**			**26,219,510,283.02**	

Note: decrease is due to transfer the 46.96% share rights of Chuanrui Co. to Railway Group.

(4) Major financial information of important joint ventures (unit: 10 thousand)

Item	Airport Group	Pharmaceutical Group	Shengtian New Energy	Logistic Industry	Yusheng Wine	Xingwen Tourism Investment	Tourism Group	Avic Chengdu Craft	Shenwan Hongyuan
Current Asset	1,483,234.97	442,887.71	57,715.80	238,988.03	116,483.85	2,503.04	346,614.53		
Non-current Asset	3,667,721.38	21,923.21	233,508.50	181,690.47	5,225.02	903.08	318,062.31		
Total Current Asset	5,150,956.35	464,810.92	291,224.30	420,678.50	121,708.87	3,406.12	664,676.84		34,772,503.49
Current Liabilities	373,864.00	338,570.74	30,812.11	226,019.80	378.16	960.89	156,438.64		
Non-current Liabilities	893,241.97	4,380.49	149,297.31	101,963.95			235,761.81		
Total Liabilities	1,267,105.97	342,951.23	180,109.42	327,983.75	378.16	960.89	392,200.45		27,652,910.58
Net Assets Attributes to the Parent Company	3,688,645.33	63,736.20	98,345.77	82,833.51	121,330.71	2,445.23	223,469.56		6,939,932.47
Percentage of Holding Stock	45.81%	34.00%	26.07%	25.66%	55.00%	40.00%	36.46%		4.99%
Net Asset Share Calculated by Percentage of Holding Shares	1,689,768.43	21,670.31	25,638.74	21,255.08	48,532.28	1,344.87	81,477.00		346,302.63
Adjustments									
Book Value of Equity Investment to Joint Ventures	1,733,539.65	21,678.10	47,263.93	29,118.06	48,556.30	2,108.64	81,556.81		601,210.97
Fair Value of Equity Investment with Public Price									
Operating Revenue	405,038.51	840,949.07	18,977.03	686,930.40		2,654.72	182,352.54		1,527,742.59
Finance Expense	7,672.64	5,663.14	6,474.09	7,760.55	-672.87	-1.03	4,813.51		
Income Tax Expense	11,676.16	5,407.04	242.18	1,352.61	476.07	255.36	5,958.89		93,945.68
Net Profit Attributes to the Parent Company	27,393.45	14,028.88	4,056.82	2,674.16	1,385.78	700.60	918.87		416,018.87
Other Comprehensive Income									-73,642.74

Item	Airport Group	Pharmaceutical Group	Shengtian New Energy	Logistic Industry	Yusheng Wine	Xingwen Tourism Investment	Tourism Group	Avic Chengdu Craft	Shenwan Hongyuan
Total Other Comprehensive Income Attributes to the Parent Company	27,393.45	14,028.88	4,056.82	2,674.16	1,385.78	700.60	963.70		336,053.88
Received Dividend from Joint Ventures in this year		593.71				603.63			5,622.72

(Continued)

Item	Airport Group	Pharmaceutical Group	Financial Leasing	Shengtian New Energy	Logistic Industry	Yusheng Wine	Xingwen Tourism	Tourism Group	Avic Chengdu Craft
Current Asset	1,337,943.51	126,912.43	333,847.81	45,944.94	196,244.25	2,273.75	120,011.13	309,678.95	140,685.20
Non-current Asset	2,744,814.31	103,617.23	19,400.31	185,146.75	80,915.17	890.65		242,345.37	100,767.17
Total Current Asset	4,082,757.82	230,529.66	353,248.12	231,091.69	277,159.42	3,164.40	120,011.13	552,024.33	241,452.37
Current Liabilities	351,770.42	39,293.26	251,004.00	24,091.70	142,786.61	541.77	6.16	163,917.49	75,371.06
Non-current Liabilities	974,867.41	99,472.16	4,188.20	135,336.91	44,572.90			123,709.79	42,051.48
Total Liabilities	1,326,637.83	138,765.42	255,192.20	159,428.61	187,359.51	541.77	6.16	287,627.28	117,422.54
Net Assets Attributes to the Parent Company	2,569,234.86	90,943.10	51,476.44	60,914.65	80,159.35	2,622.63	120,004.97	222,805.60	124,029.84
Percentage of Holding Stock	45.81%	46.96%	34.00%	26.07%	25.66%	55.00%	40.00%	36.46%	18.98%
Net Asset Share Calculated by Percentage of Holding Shares	1,176,966.49	42,706.88	17,501.99	15,880.91	20,568.89	1,442.44	48,001.99	81,231.08	23,542.89
Adjustments									

Item	Airport Group	Pharmaceutical Group	Financial Leasing	Shengtian New Energy	Logistic Industry	Yusheng Wine	Xingwen Tourism	Tourism Group	Avic Chengdu Craft
Book Value of Equity Investment to Joint Ventures	1,220,789.09	43,652.11	17,501.99	15,098.31	28,431.87	1,723.31	48,001.99	81,231.08	21,600.83
Fair Value of Equity Investment with Public Price									
Operating Revenue	399,940.70	59,387.55	710,235.93	10,318.01	567,248.24	2,654.72		176,949.24	121,104.09
Finance Expense	9,725.84	1,080.39	2,741.21	2,905.45	5,353.75	-5,565.76	-12.03	3,803.62	1,912.58
Income Tax Expense	3,750.03	2,435.31	4,460.49	397.99	911.37	308.35	1.66	3,856.65	623.00
Net Profit Attributes to the Parent Company	29,522.12	7,187.23	11,807.89	3,158.73	2,262.62	975.85	4.97	3,376.93	3,189.00
Other Comprehensive Income									
Total Comprehensive Income Attributes to the Parent Company	29,522.12	7,187.23	11,807.89	3,158.73	2,262.62	975.85	4.97	3,376.93	3,189.00
Received Dividend from Joint Ventures in this year			328.54			286.69			

(5)Long-term equity investments of the Company are mainly investments in holding companies. Investees are under normal operation without any indication of impairment. Therefore, no provision is made for long-term equity investments.

3. Operating income and operating cost

Item	For this year		For last year	
	Income	Cost	Income	Cost
1.Fund possession income	440,464,030.55		520,735,883.28	
2. Revenue from guarantee	185,188,678.13		226,037,735.85	
3. Revenue from consulting			4,952,830.19	
Total	**625,652,708.68**		**751,726,449.32**	

4. Investment income

Category	Amount for this year	Amount for last year
Gain of financial product	213,302,610.74	186,160,151.52
Gain on long-term equity investments	1,393,402,298.99	1,586,656,777.76
Including: Gain on investments recognized using the equity method	403,472,001.62	247,052,819.07
Gain on investments recognized using cost method	989,930,297.37	1,339,603,958.69
Gain on disposal of long-term equity investments	42,690,193.44	
Gain on available-for-sale financial assets	839,058.05	5,889,711.03
Gain on entrusted loans	1,567,656,258.17	1,079,358,259.17
Others	151,621,832.58	
Total	**3,369,512,251.97**	**2,858,064,899.48**

5. Supplementary information about cash flow of the parent company

(1) Details of reconciliation of net profit to cash flows from operating activities

Item	Amount for this year	Amount for last year
1.Reconciliation of net profit to cash flow from operating activities:		
Net profit	203,122,791.08	339,565,518.06
Add: provision for asset impairment	94,635,113.70	727,313,108.36
Depreciation of fixed assets, oil & gas assets and biological assets for production purpose	891,669.54	2,630,520.87
Amortization of intangible assets	144,728.16	144,728.16
Amortization of long-term deferred expense	154,623.84	2,964,928.58
Loss on disposal of fixed assets, intangible assets and other long-term assets	-1,012,267.35	
Losses on disposal of fixed assets (‘‘–’’ for gain)		

Item	Amount for this year	Amount for last year
Loss on change in fair value (‘‘–’’ for gain)		
Financial expenses (‘‘–’’ for income)	3,537,266,218.58	2,394,610,499.06
Investment loss (‘‘–’’ for income)	-3,369,512,251.97	-2,858,064,899.48
Decrease in deferred tax assets (‘‘–’’ for increase)		
Increase in deferred tax liabilities (‘‘–’’ for decrease)		
Decrease in inventories (‘‘–’’ for increase)	-306,666.53	13,571.58
Decrease in operating receivables (‘‘–’’ for increase)	-391,428,415.35	-513,806,549.10
Increase in operating payables (‘‘–’’ for decrease)	-5,684,933.88	15,940,830.59
Others		
Net cash flow from operating activities	**68,270,609.82**	**111,312,256.68**
2.Material investing and financing activities not involving cash receipts and payments:		
Conversion of debts into capital		
Convertible bonds maturing within one year		
Fixed assets transferred from financial lease		
3.Net increase in cash and cash equivalents:		
Balance of cash As of the end of the year	8,133,460,565.01	10,223,956,137.16
Less: Balance of cash As of the beginning of the year	10,223,956,137.16	8,527,618,253.87
Add: Balance of cash equivalents As of the end of the year		
Less: Balance of cash equivalents As of the beginning of the year		
Net increase in cash and cash equivalents	**-2,090,495,572.15**	**1,696,337,883.29**

(2) Cash and cash equivalents

Item	Amount for this year	Amount for last year
I. Cash	8,133,460,565.01	10,223,956,137.16
Including: cash on hand	23,949.12	29,145.49
Bank deposits readily available for payment	8,133,436,615.89	10,223,926,991.67
Other monetary capital that can be used to pay at any time		
II. Cash equivalents		
Including: bond investment which will be matured within three months		
III. Balance of cash and cash equivalents at end of the year	8,133,460,565.01	10,223,956,137.16
Restricted cash and cash equivalents of the Company		

XIII. OTHER SIGNIFICANT EVENTS TO BE EXPLAINED

1. Sichuan Expressway, the subsidiary of Sichuan Communications, does not depreciate the Operation Toll Highways

Expressways including Guangshan Road, Naqian, Dashan, Guangnan, Duwen, Cheng-De-Nan, Banan, Guanggan, Ya-Mei-Le, Dawan, Duwen, Lipan, Bashan, Bada etc. which Sichuan Expressway Company, a subsidiary of the Sichuan Communications Investment Group, and its related holding subsidiaries operates, have come into use since 2012. When considering accounting and reporting of government-loan toll road, the Sichuan Expressway combined Regulation on the Administration of Toll Roads and the Characteristics of government-loan toll road as well as with reference to the management of counterpart of other government-loan toll road outside of the province, recognizing the toll fees as income but not depreciate the related highway assets. The accounting treatment was approved by the board and filed with SASAC of Sichuan Province. As of December 31, 2018, the government-loan toll road mentioned above was recorded as fixed assets totaling of 121.017 billion and in construction in progress totaling of 6.226 billion. The Financial Reports of Sichuan Expressway from 2014 to 2018 were audited by Grant Thornton, Pan-China, and WUYIGE Certificated Public Accountants (appointed by SASAC of Sichuan Province) and issued unqualified audited reports respectively. As the toll road nature of Sichuan Expressway is still not clear, although it didn't strictly comply with the Regulation on the Administration of Toll Roads, neither Sichuan Express Company nor the Company has received from any departments that the accounting and reporting are in nonconformity with any notices or similar documents. Therefore, when the Company includes the Financial Statements of the Company into the consolidated statements, it didn't make any adjustment to the financial statements of Sichuan Expressway Company.

2. The disclosure of railway assets of Railway Investment Group in joint ventures

Approved by State-Owned Assets Supervision and Administration Commission of Sichuan Province, Railway Investment Group recognizes escrowed assets as other non-current assets (Joint ventures railway assets) which include: Xuda Railway, Intercity Railway of Southern Sichuan and Lianle Railway in constructions in process, equity interests in Chenglan Railway, Chengyu Special Railway, Chengmianle Railway in long-term equity investment, equity interests in Chengkun Railway,Chenggui Railway, Xicheng Special Railway, Bada Railway,Chengya Railway and Lanyu Railway in financial assets available-for-sale. As end of the 2015, the value was RMB 29.172 billion, the value is RMB 40.729 billion as of the end of 2016, as end of the December 31, 2017, the value is RMB 45.348 billion. As end of the December 31, 2018, the value is RMB 49.901 billion. Sichuan SASAC engaged BDO Certified Public Accountants, Zhonghui Certified Public Accountants and Dahua Certified Public Accountants to issue the standard unqualified opinion audit reports for the Financial Reports of 2015 and 2018. Since uncertainties of the characteristic of the assets, and Investment Railway Group and the Company did not receive any Notice or documents of any department that measurement and report were not satisfied with the stipulations, the audited financial statement is not adjusted when preparing the consolidated Financial Reports.

3. Payment of debts on behalf of government

On 30 June, 2014, in accordance with People's Government of Sichuan Province [2014] No.35 document, the Company entered into subject change agreement of borrowing contract and debt transfer agreement respectively with Beichuan Yuqiang Company, Agricultural Development Bank of China (hereafter refers to as Agricultural Development Bank) and Agricultural Development Bank of China (hereafter refers to as Agricultural Bank) to undertake the loans of Yuqiang Company of RMB 256.9 million in Agricultural Development Bank and RMB 2,311.10 million in Agricultural Bank as well as to take over the land and other assets originally pledged for the borrowing. On July 2015, in accordance with the Approval of Restructuring Post-disaster Reconstruction Government Debt of Beichuan (Chuan Guo Zi Gai Ge [2015] No.1) issued by SASAC of Sichuan Province, Beichuan Development Investment Company was established and was in charge of the process of subsequent assets transfer and disposal. The 2.78 billion debts and the interest would be recognized as other non-current asset.

On December 2015, Yuqiang company (Party A), Beichuan Development Company (Party B), and the company (Party C) jointly singed "State-owned Asset Non-compensated Transfer Agreement". The pledged assets of Party A and loans with interest of Agricultural Development Bank and Agricultural Bank of China branch in Beichuan undertook by Party C are transferred to Party B to undertake. Beichuan Development Company and Yuqiang Company completed the assets transfer progressively as at end of 2016. According to the "Assets Evaluation Report on The Intended to Be Recorded and Estimated Asset Owned by Beichuan Development Company" (Chuan Hai Ping Bao Zi [2016] No.68, the market value of the received assets is RMB 997,550,900.00 on the valuation date December 31, 2015, incurring the significantly large difference of undertook debts with interest of Beichuan Development Company. As a result, Beichuan Development Company is in Insolvency. Therefore the compensatory debt is unable to collect. Since the transaction was implemented in accordance with the meeting minutes ([2014] No.68) of Sichuan People Government and was not the normal operation transaction, the Company treats the issued mentioned above as an equity transaction, and records expected loss from compensatory debt as capital reserve, in accordance with Enterprise Accounting Principles.

On December 5, 2016, the company reported to Sichuan SASAC by "Report on the opinions of the Sichuan Development restructuring post-disaster reconstruction government debts of Beichuan" and report to Sichuan Finance Department at the same time.

4. Significant Asset transfer in this year

1. The equity transfer between Energy Investment and Sichuan SASAC

According to the Notice of Sichuan SASAC about Gratuitous Transfer Sichuan Chemical Holding (Group) Co. Ltd to Energy Investment Group (Chuan Guozi Chanquan[2015] 77 in December 3, 2015), Sichuan SASAC gratuitously transferred 100% equity of Sichuan Chemical Holding (Group) Co. Ltd (hereinafter referred to as the Sichuan Chemical Holding Group) to Energy investment. On March 1, 2017, the registration of industrial and commercial change has been completed. However, due to the unsolved matters

existed prior to the transfer, the supervision institution still managed Sichuan Chemical Holding Group as of December 31, 2018. Therefore, Sichuan Chemical Holding Group was not consolidated in the financial statements of Energy Investment.

2. Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group, the wholly owned subsidiary of Sichuan Chemical Holding Group.

According to the Custody Agreement signed between Sichuan Chemical Holding Group and Energy Investment in March 16, 2015, Sichuan Chemical Holding Group entrusted Energy Investment to manage Sichuan Chemical Group. Entrustment term: the entrustment term commenced from the day of the agreement signed to the approval of competent department that Energy Investment exercises responsibility as contributor or to the approval of alternatives. During the term of entrustment, Energy Investment was entrusted to manage the following matters: Asset capital management, personnel management, engineering construction supervision and management, production and operation supervision, financial supervision, investment and financing management. Energy Investment does not charge for the entrusted management and do not enjoy the right to distribute the income of Sichuan Chemical.

3. Guorui Mining gratuitously acquired the Altantic China welding Concumables Co.

On November 20, 2017, the Company and Zigong SASAC received Sichuan SASAC's retransmission of SASAC- Notice about approval of stated-owners of Altantic China welding Concumables Co gratuitously transferred its equity (Chuan Guozi Chanquan [2017] 27). The SASAC agreed the Guozi Chanquan [2017]1149 document's requirement that Sichuan Altantic Group gratuitously transferred its 270,526,255.00 shares to Guorui Mining, accounting for 30.14% of the whole equity.

On November 24, Guorui Mining received the Notice of exemption Guorui Mining's tender offer about acquirement of Altantic China welding Concumables Co. issued by China Securities Regulatory Commission(Zheng Jian Xuke [2017]2132). China Securities Regulatory Commission approved the exemption of the tender offer. As of December 31, 2018, the share transfer has not been yet substantially completed.

5.The significant investment during the year

1. Participate in non-public shares of Shenwan Hongyuan by credit investment

On December 27, 2017, the Company (Financier), ICBC-Financing plan agent (investor), ICBC Sichuan Branch (Project manager) signed Agreement of Investment in Creditor's Right. Under the agreement, the investor will finance the financier by creditor's right, the project manager will overall supervise and manage the financing capital and assets. The total financing amount is 3.5 billion yuan, the investment term is 36 months, commencing from date of withdrawal (from the first withdrawal for installment). The financing rate: 0.4466% of the investment amount shall be paid at the withdrawal day or the following day, and the interest will be paid quarterly at the annualized interest rate 5.8% during the financing term. The investment

capital shall subscribe Shenwan Hongyuan Group's non-public offer; without the investor's written consent, financier shall not change the purpose of the investment. The financier shall withdraw by installment according to the capital demand; the first capital shall withdraw prior to January 31, 2018, and the last capital shall withdraw prior to March 31, 2018, or the investor has the right to cancel the total or part of the investment. The financier shall repay the principal following the repayment schedule: on June 20 2019, December 20 2019, June 20 2020, and December 26 2020, the financier shall repay the 25% of total withdrawal amount respectively.

Meanwhile, according the tripartite agreement, the total investment amounts will no more than 3.5 billion and no more than 50% of the non-public offering shares of Shenwan Hongyuan. The share pledge shall be effective within 2 months after the subscription; the pledge amount is 50% of the subscription amount; the financier shall set up a specifically financial planning and cash withdrawal account. If the share price of Shenwan Hongyuan falls no less than 30% compared with the additional stock issuance price, financier needs additional collateral measures approved by ICBC.

As of the report day, the Company has withdrawn 2 billion yuan at December 28, 2017. On January 2018, the Company participated in the non-public offering shares of Shenwan Hongyuan and got 1.124 billion shares, which accounting for 4.99% of the total shares, in consideration of 5.443 billion yuan. At the same time, the pledge of 562 million shares has completed.

2. Transferee of Xinzhu shares

The Company signed with Xinzhu Investment Group Co., the controlling shareholder of Xinzhu Co., the Agreement of share transfer of Chengdu Xinzhu Road & Bridge Engineering Co. dated April 22, 2018. Under the agreement, the Company acquired 104.57 million shares of Xinzhu Co. (002480.SZ), accounting for 15.95% of total equity, based on RMB 827 million at 7.91/share. The transfer registration procedure was completed on August 3, 2018.

Pursuant to the Agreement, the Company has nominated 4 executive directors and 2 independent directors, while the Xinzhu Group nominated 2 executive directors and 1 independent directors to Xinzhu Co. Therefore, the Company got domination in the board of directors. Meanwhile, one of the directors nominated by the Company was the chairman, while one of the directors nominated by Xinzhu Group was vice chairman. The company and Xinzhu Group also nominated 2 supervisors and 1 supervisor respectively to Xinzhu Co. respectively. The supervisors nominated by the Company was approved by 3rd interim general meeting dated August 24, 2018, 32th meeting of 6th board of directors and 5th interim general meeting dated November 16th, 2018. CFO of Xinzhu Co. was delegated by the Company. The Company is virtually the controlling shareholder of Xinzhu Co.

3. Development International acquired 27% shares of Tianyun International Holdings Limited from WEALTHY ACTIVE LIMITED

Development International (purchaser) signed with WEALTHY ACTIVE LIMITED (seller) the Agreement of Sales of Shares of Tianyun International Holdings Limited guaranteed by Yangziyuan (guarantor). Under the agreement, the purchaser shall purchase the Hongkong listed company of Tianyun International Holdings Limited (code: 6836) 263,914,740.00 shares, accounting for 27% of total outstanding shares, based on HKD 416,985,289.20. Development International delegated 1 executive director and 1 non-executive director among 3 executive director, 3 non-executive director and 3 independent directors in Tianyun International Holdings Limited. As end of 2018, the transaction was completed.

6. Significant debt financing during this year

1. Issuance of 5 billion bonds

The Company received the Approval of Sichuan Development on Publicly Issuing Corporate Bonds to Qualified Investors (Zheng Jian Xuke [2016]1763) from CSRC on August 5, 2016, CSRC approved the Company issuing no more than 12 billion-yuan corporate bonds to qualified investors. The bonds issued by installment, the first issue shall complete within 12 months, and the rest shall complete within 24 months. As of December 31, 2016, the Company issued 3 billion bonds, with 10 years term, and 3.9% nominal interest rate. As of October 24, 2017, the Company issued 4 billion corporate bonds, with 7 years term and 5.09% nominal interest rate. As of June 4, 2018, the Company issued 3 billion bonds with 7 years term and 5.17% nominal interest rate. As of August 1, 2018, the Company issued 2 billion bonds with 7 years term and 4.55% nominal interest rate. As of December 31, 2018, all of the public corporate bonds to qualified investors have been issued.

2. Issuance of 3 billion mid-term notes

The Company received the approval of Sichuan SASAC to issue no more than 3 billion mid-term notes to qualified investors. According to the 14th meeting of the board, the board was authorized to commence the registering and issuing work. The scale of issuing mid-term notes was no more than 6 billion yuan and was issued in two times. The Company has issued 3 billion yuan this year. As of December 31, 2018, all the registration quota amount approved by National Association of Financial Market Institutional Investors was allotted.

3. Issuance of 5 billion overseas mid-term notes

Pursuant to the 27th resolution of 59th meeting of 2nd board of directors on December 15, 2018, the Company approved Development International's plan of issuing oversea mid-term notes. Under the plan of issuing oversea mid-term notes, Yieldking Co., the subsidiary of Development International is the note issuer, Development International provided unconditional, irrevocable guarantee, and the Company provided Keepwell and commitment of equity repurchase. The Company agreed that issuance was not exceeded USD 0.5 billion, and term was not exceeded 5 years. The purpose of the fund raised will be adjusted subjected

to the related supervisors. On May 16, 2018, Yieldking Co. got registration from NDRC of foreign currency bond not excess of USD or equivalent 0.5 billion (FAGAIBANWAIZIBEI[2018] NO. 335). On May 25, 2018, pursuant to the resolution of 69th meeting of 2nd board of directors of the Company, the Company agreed that Yieldking Co. start drawdown initial oversea dollar bond and related work. On October 18, 2018, Yieldking completed the initial issuance of dollar bond with 0.5 billion-dollar, 3 years term, and note interest of 4.8%.

7. Earnest Money of Proposed Equity Transaction with Xing Neng New Material Corporation

Energy Investment signed Strategic Framework Agreement about Equity Reconstruction with Chengdu Xing Neng New Material Corporation (hereinafter referred as to "Xing Neng") and Luo Chaohua on November 10, 2015. Energy Investment paid off RMB 50 million earnest money on 2015 November and December to Xing Neng Company after Luo Chaohua pledged 48,066,034 shares. According to the Framework Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Luo Chaohua on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Framework Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

On March 18, 2016, Energy Investment (Party A), Xing Neng Company (Party B), Luo Chaohua(Party C) and Party D (Sino Merit Holdings Limited, Chengdu Xin Neng Heng Xin Technology Co., Chengdu Yiyun Technology Co., and Chengdu Tongyong Special Plastic Co.) signed Strategic Cooperation Agreement of Supplemental Earnest Money of Equity Reconstruction. After Party D pledged 1.75 million shares, 1.8 million shares, 1.35 million shares, and 4 million shares to Energy Investment respectively on March 2016, Energy Investment paid off total 150 million earnest money to Xing Neng Company on April and June 2016. According to the Supplemental Agreement, the conditions precedents to the cooperation are that Energy Investment reached agreement with Xing Neng Company on Equity Reconstruction within 6 months and reached agreement with Xing Neng Company on supplemental agreement of extension maturity. The Supplemental Agreement automatically relieved from the expiration of the 6 months period if the conditions precedents to the cooperation unqualified.

As of December 31, 2018, the agreement of purchasing equity has no substantive progress, and the 200 million has still not taken back. Energy Investment has already recognized 25 million bad debt according to the debt aging combination method.

8. Overdue performance security of Energy Investment that cannot take back

Sichuan Energy Investment Construction Co. (hereinafter refer as to Energy Investment Construction Co.), a subsidiary of Energy Investment, signed with China Nuclear Zhongyuan Construction Co. and Chongqing Haiya Industrial Group the PPP Construction Contract of Guizhou Jiangkou Old City Transformation. The Energy Investment Construction Co. paid 120 million as performance security and

shall be paid back on December 31, 2017 under the agreement. As of December 31, 2018, the performance security cannot take back.

9. Introduction of Hanlong Asset package received by Guoke Co. and debt reconstruction

Supreme People's Court appointed Sichuan Higher People's Court as court of jurisdiction of Hanlong Group's involved assets on June 15, 2016. Meanwhile, Sichuan SASAC was the temporal management legal person authorized by Sichuan government. Hanlong assets involved the assets of Hanlong Group and asset and liability of 44 enterprises that it invested (not including cash and cash equivalents and long-term investments). the audited total assets of the package were amounted to 18.178 billion, the total liabilities were amounted to 21.44 billion, while the net assets were -3.262 billion and appraisal value was 256 million according to the notice of court's auction. The package also involved 9.069 billion with 22 financial institutes.

Mianyang Technology and Sicence Development and Investment Group Co. (hereinafter refer as SDIC) received the asset package under the court's sentence. Then the asset package involving 44 enterprises will be transferred to Guoke Co., a joint investment of SDIC and the Company. Guoke Co will manage and operate the package in the form of marketization. Both shareholders of Guoke shall burden the obligation and enjoy the right according to the proportion of shares.

As of end of 2018, the package completed transferring to Guoke Co. The Company has arranged Shuxi Investment to purchase bank debt (including notes, short-term and long-term loans) of Guoke Co. totaling 2,090,487.3 thousand yuan in 2018, and the rest (including the overdue loan listed above) shall be purchased in 2019, under the purpose of keeping social stability, normal operation of company. The bank loans have been purchased totaling 1.346 billion, the corresponding debt totaling 2.09 billion. Gains from debt reconstruction was 744 million during the year. After the purchase, the debt to bank of subsidiary of Hanlong transferred to the debt to the internal Group. The principal decreased dramatically and the Company achieved the purpose of decrease risk of debt.

10. Recognition of full provision of goodwill of Sunfor Co.

During the year of 2016, Energy Investment cleared up the balance sheet of Sunfor and adjusted retrospectively the financial statements on the date of acquisition (August 31, 2015). The goodwill was RMB 456,297.6 thousand after the adjustment. The Energy Investment recognized full provision of the goodwill according to the financial situation, the operation situation and the model of appraisal at the date of acquisition.

11. Investment of Fengyuan Mining Co.

Industry Fund invested reconstruction project of Yanbian Zhongtai Mining Co. subjected to Panzhihua Fengyuan Mining Co. (hereinafter refer as to Fengyuan Mining) on September 2014 and the investment

amount was 1billion. Because of the decreasing price of iron concentrate and Ilmenite concentrate from 2014, divergent business philosophy of shareholders, repayment loan in advance, and lack of raw mine, Fengyuan Mining suspended production in 2015, and restarted in stage to product during October 2015 to March 2016. As of end of 2018, Fengyuan Mining did not restart production.

Pursuant to the 3rd stipulation in Repurchase Agreement that may trigger repurchasing, if Fengyuan Mining cannot list in market and trigger capital quitting, Industry Fund could quit before September 30,2017; the quit time would not subject to the above time limit if other situations trigger capital quitting. Due to the capital quit stipulation triggered, Industry Fund is planning to quit by helping Fengyuan Mining merged by listed company, SOE or private companies.

12. Disposal of Initial Maturity Fund of Industry Fund

Industry Fund was a corporation system fund established on May 2011, and approved by NDRC for the purpose of implementing the national requirements of supporting Sichuan "5.12" post-disaster reconstruction. The initial fund term is 7 years. Pursuant to the Approval of Transformation of Industry Fund to Investment Fund Group Company (Chuan Guozi Planning [2018] NO.9) by Sichuan SASAC on March 2018, Industry Fund shall work in subsequent job like modify article of company, wind up fund, and transfer assets etc., ensure duly exist of the company, deal with perfectly the residual problems related to initial fund and push the transformation development of the company. The initial fund of Industry Fund totaling 6.135 billion will be due on June 23,2018 and the work of wind up is in progress.

13. The company subscribed Railway Investment's Perpetual bond

The company signed loan agreement (Contract NO: SDH-F-2018-18) with Railway Investment in 2018. The amount of loan is RMB 2.8 billion, the term of loan is 3 years, and the interest of loan is 6.429%. the company signed with Railway Investment a supplementary agreement (Contract NO; SDH-F-2018-18-1), agreeing that the loan transferred to perpetual bond. Under the supplementary agreement, the loan initial due date was May 8,2021 and if Railway Investment could not announce expire in time, the loan will extent automatically. The extension term is 3 years, and the interest rate in contract shall prevail in the extension term. Also, Railway Investment has the right to deferred pay the interest.

14. Land Co. transferred subsidiary's equity

On June, 2018, Land Co. and Sichuan Blueray Hejun Industry Co. signed Cooperation Development Agreement. Pursuant to the agreement, Land Co. sold 45% shares of 5 projects companies like Renshou Shuheng Real Estate Co., Renrun Shuheng Real Estate Co., Renshou Shufeng Real Estate Co., Renshou Shujing Real Estate Co., Renshou Xinghe Real Estate Co. to Sichuan Blueray Hejun Industry Co. the five project companies used one management team (board of directors, board of supervisors, management team inclusive) and each project company establishes general meeting and board of directors respectively.

The general meeting shall be composed of all shareholders, and the resolution of the shareholders' meeting shall be valid only if the shareholders'consent to vote on more than two-thirds of the representatives (excluding the original number). A director who is unable to attend the board of directors for reasons may authorize other directors to attend the board of directors in writing and exercise their voting rights. A resolution of the board of directors shall be voted by one person and one vote, and all matters shall be valid only if the matters are approved by more than two-thirds of the board of directors (excluding the level).

According to the mechanism above, Land Co. loses control of the 5 project companies, even though it holds 55% share of them. Therefore, pursuant to 50 article of *Accounting Standard for Business Enterprise 32- consolidated financial statements*, the Land Co. re-measured the residual 55% shares by fair value, when preparing the consolidated statements, and recognized gains in investment totaling RMB 827,559,968.15.

15. The Government Guidance Fund managed by the Group

(1) The Sichuan Provincial Department of Finance, Sichuan Province Economic and Information Commission commissioned the company as entrusted management agencies. According to its commission, the Company specifically fulfills the duties of the investor, and is responsible for the daily management of small and medium funds. According to the agreement, escrow funds and investments of the Company are individually accounted. The details of the entrust fund are as follow:

Item	Ending Balance	Item	Ending Balance
Monetary Funds	1,637,088,806.35	Other Payable	102,664.39
Held-to-Maturity Investment	422,200,580.56	Special Account Payable	4,150,000,000.00
Long-term Investment	2,084,583,964.01	Undistributed Profit	-6,229,313.47
Total Assets	**4,143,873,350.92**	**Total Liabilities and Income**	**4,143,873,350.92**

(2) On December 23, 2015, Sichuan finance department and equity fund signed the Entrust Agreement of Financial Contribution by Sichuan Innovation Enterprise Investment Guidance Fund. Sichuan finance department entrusted Equity Fund to be an issuer to set up the fund mention before (expect for the stock engaged fund), Equity Fund shall set up the fund with total size which is no lea than 4 times capital contributed by finance department, stands for the contributor of finance department to contribute, management, withdraw, distribute, liquidate and other rights of contributor, and collects the entrust management fee and obtains performance incentives. The guidance fund and equity fund mentioned above shall be individually accounted. As at December 31, 2018, the details of the fund are as follow:

Item	Ending Balance	Item	Ending Balance
Monetary Funds	401,009,014.16	Special Account Payable	2,165,000,000.00

Item	Ending Balance	Item	Ending Balance
Other Current Assets	269,000,000.00	Other Account Payable	5,801,914.16
Financial Assets-available for-Sales	1,500,792,500.00		
Total Assets	**2,170,801,514.16**	**Total Liabilities**	**2,170,801,914.16**

Sichuan Development Holding Co., Ltd

April 29, 2019

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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INDEPENDENT REVIEW REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED

Introduction

We have reviewed the condensed consolidated financial information of Sichuan Development International Holding Company Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 2 to 20, which comprises the consolidated statement of financial position as of 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2020 and explanatory notes (the "Unaudited Condensed Consolidated Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Unaudited Condensed Consolidated Financial Information in accordance with Hong Kong Accounting Standard 34 ("HKAS 34").

Our responsibility is to express a conclusion on the Unaudited Condensed Consolidated Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the Unaudited Condensed Consolidated Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed Consolidated Financial Information for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative Unaudited Condensed Consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chui Yiu Cheong
Practising Certificate Number: P07219

Hong Kong
8 December 2020

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June 2020 RMB (unaudited)	2019 RMB (unaudited)
Revenue	4	226,245,417	166,861,553
Cost of revenue		(99,985,598)	(72,484,737)
Gross profit		126,259,819	94,376,816
Other income and gains	5	40,277,366	61,077,134
Share of profit of an associate		12,422,700	18,600,535
Unrealised (loss) gain on other financial assets at fair value through profit or loss ("FVTPL")		(3,300,000)	1,200,000
Administrative and operating expenses		(19,266,026)	(16,364,076)
Finance costs	6	(157,035,544)	(142,868,103)
(Loss) profit before tax	7	(641,685)	16,022,306
Income tax expense	8	(7,477,589)	(5,272,472)
(Loss) profit for the period		(8,119,274)	10,749,834
Other comprehensive (expense) income for the period			
Items that may be reclassified into profit or loss			
Exchange differences on translation of foreign operations		19,905,492	2,500,050
Fair value losses arising on hedging instruments in cash flow hedges		(161,752,054)	-
Reclassification of losses on hedging instruments in cash flow hedges		12,139,318	
Deferred tax on loss on fair value changes of derivative financial assets		18,701,594	-
Other comprehensive (expense) income for the period		(111,005,650)	2,500,050
Total comprehensive (expense) income for the period		(119,124,924)	13,249,884
(Loss) profit for the period attributable to:			
- Owner of the Company		(12,111,960)	8,611,823
- Non-controlling interests		3,992,686	2,138,011
		(8,119,274)	10,749,834
Total comprehensive (expense) income for the period attributable to:			
- Owner of the Company		(112,392,760)	10,658,392
- Non-controlling interests		(6,732,164)	2,591,492
		(119,124,924)	13,249,884

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Non-current assets			
Plant and equipment	9	4,863,509,088	4,893,130,289
Right-of-use asset	10	6,053,364	3,079,395
Lease incentive assets		15,050,519	16,927,048
Interest in an associate		432,005,872	413,373,260
Other financial assets	13	134,612,259	-
Deferred tax assets		17,431,041	3,982,986
		5,468,662,143	5,330,492,978
Current assets			
Trade receivables	11	53,495,223	-
Prepayments and other receivables	12	90,339,752	21,134,108
Amount due from immediate holding company		292,007,762	296,819,208
Amounts due from related companies		-	257,353
Tax recoverable		24,530	24,530
Other financial assets	13	51,150,000	51,750,000
Restricted bank balances	14	57,569,177	75,161,523
Bank balances and cash	14	420,498,751	361,283,938
Bank term deposits	14	2,081,972,740	2,367,053,311
		3,047,057,935	3,173,483,971
Current liabilities			
Interest payables		43,099,088	43,145,616
Other payables		30,563,691	36,514,603
Tax payable		1,368	664,694
Lease liabilities	10	1,835,374	808,669
Amount due to a fellow subsidiary		18,861	22,264
Amount due to a related company		308,707	-
Current portion of long term borrowings	17	272,750,989	262,856,203
		348,578,078	344,012,049
Net current assets		2,698,479,857	2,829,471,922
Total assets less current liabilities		8,167,142,000	8,159,964,900

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(Continued)

	Note	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Non-current liabilities			
Lease liabilities	10	4,260,892	2,336,255
Derivative financial liabilities	15	262,161,744	112,549,008
Guaranteed bonds	16	3,536,601,034	3,483,828,480
Long term borrowings	17	2,816,526,481	2,907,651,522
Maintenance reserves		10,410,677	10,258,771
Lessor contribution		21,938,185	21,618,076
		6,651,899,013	6,538,242,112
Net assets		1,515,242,987	1,621,722,788
Capital and reserves			
Share capital	18	1,492,548,060	1,492,548,060
Reserves		(155,644,481)	(43,251,721)
Equity attributable to owners of the Company		1,336,903,579	1,449,296,339
Non-controlling interests		178,339,408	172,426,449
Total equity		1,515,242,987	1,621,722,788

The condensed consolidated financial information on pages 2 to 20 were approved and authorised for issue by the board of directors on 8 December 2020 and are signed on its behalf by:

Ms. Wang Lu, Director

Mr. Xiong Huiran, Director

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to the owners of the Company							
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB
As at 1 January 2019 (audited)	1,492,548,060	105,961	33,155,463	7,606,059	(28,897,257)	1,504,518,286	145,401,740	1,649,920,026
Profit for the period	-	-	-	-	8,611,823	8,611,823	2,138,011	10,749,834
Exchange differences on translation of foreign operations	-	-	2,046,569	-	-	2,046,569	453,481	2,500,050
Total comprehensive income for the period	-	-	2,046,569	-	8,611,823	10,658,392	2,591,492	13,249,884
Capital contribution by a non-controlling interest	-	-	-	-	-	-	13,561,600	13,561,600
As at 30 June 2019 (unaudited)	1,492,548,060	105,961	35,202,032	7,606,059	(20,285,434)	1,515,176,678	161,554,832	1,676,731,510

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Continued)

	Attributable to the owners of the Company								
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Hedging reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB	RMB
As at 1 January 2020 (audited)	1,492,548,060	105,961	52,325,330	7,606,059	(88,632,346)	(14,656,725)	1,449,296,339	172,426,449	1,621,722,788
(Loss) profit for the period	-	-	-	-	-	(12,111,960)	(12,111,960)	3,992,686	(8,119,274)
Exchange differences on translation of foreign operations	-	-	17,539,227	-	-	-	17,539,227	2,366,265	19,905,492
Fair value losses arising on hedging instruments in cash flow hedges	-	-	-	-	(117,820,027)	-	(117,820,027)	(13,091,115)	(130,911,142)
Total comprehensive income (expense) for the period	-	-	17,539,227	-	(117,820,027)	(12,111,960)	(112,392,760)	(6,732,164)	(119,124,924)
Capital contribution by a non-controlling interest	-	-	-	-	-	-	-	12,645,123	12,645,123
As at 30 June 2020 (unaudited)	1,492,548,060	105,961	69,864,557	7,606,059	(206,452,373)	(26,768,685)	1,336,903,579	178,339,408	1,515,242,987

Notes:

i. Capital reserve represented contributions made in excess of the paid up capital by the previous shareholders of a subsidiary.

ii. The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operations	86,098,096	80,982,905
Tax paid	(3,050,393)	(2,049,496)
Net cash from operating activities	83,047,703	78,933,409
Cash flows from investing activities		
Withdrawal of restricted bank balances	18,570,619	2,618,942
Bank interest received	29,474,389	52,539,008
Interest from immediate holding company received	9,269,478	-
Dividend income	4,387,500	5,025,000
Release of bank term deposits	1,531,064,305	1,568,958,324
Acquisition of plant and equipment	(568,331)	(526,315,501)
Purchase of other financial assets at amortised cost	(135,954,814)	-
Proceeds from disposal of other financial assets at amortised cost	-	107,575,958
Advance to immediate holding company	(24,262,284)	(111,465,983)
Repayment from immediate holding company	19,804,252	5,205,204
Net cash from investing activities	1,451,785,114	1,104,140,952
Cash flows from financing activities		
New long term borrowing raised	-	627,224,000
Capital injection by a non-controlling interest	12,645,123	28,317,480
Repayment of bank borrowing	(131,117,459)	(88,825,975)
Repayment of lease liabilities	(839,953)	(463,060)
Interest paid	(152,806,283)	(141,960,612)
Net cash (used in) from financing activities	(272,118,572)	424,291,833
Net increase in cash and cash equivalents	1,262,714,245	1,607,366,194
Cash and cash equivalents at 1 January	641,178,858	83,711,075
Effect of foreign exchange rate changes	9,708,723	8,693,322
Cash and cash equivalents at 30 June	1,913,601,826	1,699,770,591
Analysis of Components of Cash and Cash Equivalents:		
Bank balances and cash	420,498,751	642,748,985
Bank term deposits (less than 3 months)	1,493,103,075	1,057,021,606
	1,913,601,826	1,699,770,591

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Sichuan Development International Holding Company Limited (the "Company") was incorporated in Hong Kong on 3 January 2001 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is 6/F, Alexandra House, 18 Charter Road, Central, Hong Kong and principal place of business is Room 1501, 15/F, Fortress Tower, 250 King's Road, North Point, Hong Kong. The principal activities of the Company and its subsidiaries are the aircraft chartering business.

The immediate holding company of the Company is Sichuan Development Holding Company Limited ("Sichuan Development") incorporated in the People's Republic of China (the "PRC"). The directors of the Company consider the ultimate holding party of the Company to be the State Owned Assets Supervision and Administration Commission of Sichuan Province.

The presentation currency of the consolidated financial statement is in RMB to be in line with the holding group presentation currency. Other than the direct subsidiary incorporated in PRC, whose functional currency is RMB, the functional currency of the Company and other subsidiaries is in USD.

The condensed interim consolidated financial information of the Company and its subsidiaries (collectively as the "Group") for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condense consolidated financial statements.

3. SIGNIFICANT EVENT

Due to the outbreak of the novel coronavirus (COVID-19), the Group has received requests from its customers with regard to the provision of support by way of a short-term deferral of rents. Management has agreed to support these customers with a lease deferral of three months to four months of its customers. At the date of the condensed consolidated financial statement, the Group continues to have no late payments from any of its customers and it is intended that all deferred lease payments will be repaid in full after the period end.

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on the aircraft chartering business. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from rental of aircraft to airline operators with no discrete information available to the CODM. The CODM reviews the profit for the year of the Group as a whole for performance assessment.

Geographical information

The Group's operations are located in the PRC and Republic of Ireland ("Ireland").

Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue generated from		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2020	2019	2020	2019
	RMB	RMB	RMB	RMB
	(unaudited)	(unaudited)	(unaudited)	(audited)
The PRC	66,142,128	46,666,047	438,804,206	416,894,860
Ireland	-	-	4,877,814,637	4,909,615,132
Spain	37,627,195	36,297,515	-	-
India	49,953,065	31,391,582	-	-
Singapore	12,822,695	12,369,562	-	-
United Arab Emirates	14,159,646	13,659,268	-	-
United Kingdom	14,331,040	13,824,606	-	-
Turkey	11,471,654	11,066,266	-	-
Korea	19,737,994	1,586,707	-	-
	226,245,417	166,861,553	5,316,618,843	5,326,509,992

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(unaudited)	(unaudited)
Bank interest income	29,474,389	52,522,914
Dividend income	4,387,500	5,025,000
Gain on disposal of financial assets at amortised cost (Note (a))	-	404,465
Interest income on financial assets at amortised cost (Note (a))	2,021,206	-
Interest income on loan receivables	341,697	-
Government grant (Note (b))	3,889,907	3,077,634
Gain on lease termination	73,150	-
Sundry income	89,517	47,121
	40,277,366	61,077,134

Notes:

(a) The Group purchased certain long term financial products during the period ended 30 June 2020 with an aggregate cost in present value of USD18,960,052 (equivalent to RMB133,273,998) (six months ended 30 June 2019: nil) and recorded a realised gain of nil (six months ended 30 June 2019: RMB404,465) on disposal of the financial products and an accrued interest income of RMB2,021,206 (six months ended 30 June 2019: nil) for the financial products on hand.

(b) Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the contribution to the local economic development. The government grants are one-off with no specific condition imposed.

6. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(unaudited)	(unaudited)
Interest on long term borrowings	59,029,337	60,638,341
Interest on guaranteed bonds	85,296,684	81,776,709
Interest on lease liabilities	113,308	80,109
Losses on derivative financial assets	12,139,318	-
Loan agency fee	456,897	372,944
	157,035,544	142,868,103

7. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(unaudited)	(unaudited)
Depreciation of plant and equipment	98,019,249	71,528,323
Depreciation of right-of-use asset	777,168	419,917
Amortisation of lease incentive assets	2,112,062	1,133,992
Exchange losses, net	14,792	34,679

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(unaudited)	(unaudited)
Current tax:		
Withholding tax on interest income received from PRC subsidiaries	168,530	-
PRC Enterprise Income Tax	2,241,133	2,011,816
	2,409,663	2,011,816
Deferred taxation	5,067,926	3,260,656
	7,477,589	5,272,472

9. PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired approximately RMB568,331 (six months ended 30 June 2019: RMB517,009,193) of plant and equipment.

10. RIGHT-OF-USE ASSET AND LEASE LIABILITIES

(i) Right-of-use asset

As at 30 June 2020, the carrying amount of right-of-use asset was RMB6,053,364 (31 December 2019: RMB3,079,395) in respect of the leased property. During the six months ended 30 June 2020, the Group early terminated the original lease agreement and entered into a new lease agreement for another office. Upon the early termination and the new lease commencement, the Group derecognised right-of-use assets of RMB3,012,572 and recognised an addition of RMB6,690,560.

(ii) Lease liabilities

As at 30 June 2020, the carrying amount of lease liabilities was RMB6,096,266 (31 December 2019: RMB3,144,924). During the six months ended 30 June 2020, the Group early terminated the original lease agreement and entered into a new lease agreement for another office. Upon the early termination and the new lease commencement, the Group derecognised lease liability of RMB2,939,422 and recognised an addition of RMB6,690,560.

(iii) Amounts recognised in profit or loss

	For the six months ended	
	30 June 2020 RMB	30 June 2019 RMB
Depreciation expense on right-of-use asset	777,168	419,917
Interest expenses on lease liabilities	113,308	80,109
Expense relating to short term leases	75,852	42,548
Gain on lease termination	(73,150)	-

(iv) Others

For the six months ended 30 June 2020, the total cash outflow for leases amount to RMB915,805 (For the six months ended 30 June 2019: RMB505,608).

11. TRADE RECEIVABLES

The ageing analysis of the Group's trade receivables net of allowance for impairment of trade receivables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
0 – 30 days	6,440,363	-
31 – 60 days	11,964,886	-
Over 60 days	35,089,974	-
	53,495,223	-

12. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Loan receivable (note)	70,795,000	-
Other receivables	16,705,765	15,500,219
Prepayments and deposits	2,838,987	5,633,889
	90,339,752	21,134,108

Note: The loan receivable from 煉石投資有限公司, a fellow subsidiary of the Company, which carried an interest of 7% per annum, guaranteed by its immediately holding Company, 煉石航空科技股份有限公司, is also a fellow subsidiary of the Company and repayable on June 2021.

13 OTHER FINANCIAL ASSETS

Other financial assets comprised of the following:

	Note	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Financial assets at amortised cost			
- Bond investment		134,612,259	-
Financial assets designated as FVTPL			
- Listed equity securities in the PRC		48,450,000	51,750,000
Financial assets at amortised cost			
- Investment in corporate wealth management products		2,700,000	-
		51,150,000	51,750,000

Note: The listed equity securities were held by a fellow subsidiary company, 四川三新創業投資有限責任公司 on behalf of the Group.

14. BANK BALANCES AND CASH/BANK TERM DEPOSITS AND RESRICTED BANK BALANCE

The fixed interest rate on term deposits with initial terms of less than three months ranged 0.64% to 1.18% p.a. (2019: 2.7% to 3.25% p.a.) and term deposits with initial terms of more than three months at 2.69% p.a. (2019: 2.42% to 2.90% p.a.). Cash at banks carries interest at prevailing market rate for both reporting periods.

Restricted bank balances subject to withdrawal restrictions represent cash securing the Group's obligations under third party credit facilities. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility.

15. DERIVATIVE FINANCIAL LIABILITIES

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Derivatives for hedge:		
Interest rate swaps	262,161,744	112,549,008

16. GUARANTEED BONDS

As at 30 June 2020, the Group had guaranteed bonds with aggregate principal of USD500,000,000 (equivalent to RMB3,539,750,000) (31 December 2019: USD500,000,000 (equivalent to RMB3,488,100,000)) with the following major terms:

Issue price:	100% of the principal amount
Interest:	4.8 % per annum payable semi-annually in arrear
Maturity:	17 October 2021 (3 years from date of issuance)

The movements of the bonds are set out below:

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Carrying amount at the beginning of the period/year	3,483,828,480	3,425,174,471
Effective interest charge for the period/year	85,296,685	167,798,634
Interest paid	(84,350,400)	(165,564,000)
Exchange realignment	51,826,269	56,419,375
Carrying amount at the end of the period/year	3,536,601,034	3,483,828,480
Less: Bonds repayable after one year shown under non-current liabilities	(3,536,601,034)	(3,483,828,480)
Current portion	-	-

The Company's bonds carried interest at effective interest rate of 4.87% per annum (31 December 2019: 4.87%) as at 30 June 2020.

17. LONG TERM BORROWINGS

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Bank loans	3,089,277,470	3,170,507,725

Carrying amount repayable (based on schedule repayment dates set out in the loan agreements):

	30 June 2020 RMB (unaudited)	31 December 2019 RMB (audited)
Within one year	272,750,989	262,856,203
After one year but within five years	1,531,974,611	1,407,921,106
After five years	1,284,551,870	1,499,730,416
	3,089,277,470	3,170,507,725
Less: Amounts shown under current liabilities	(272,750,989)	(262,856,203)
Amounts shown under non-current liabilities	2,816,526,481	2,907,651,522

18. SHARE CAPITAL

Issued and fully paid:

	Number of shares	RMB
At 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	481,200,000	1,492,548,060

19. FAIR VALUES

The following provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	As at 30 June 2020		
	Level 1 RMB	Level 2 RMB	Total RMB
Financial assets at FVTPL			
Listed equity shares in the PRC	48,450,000	-	48,450,000
Financial liabilities as FVTPL			
Derivative financial liabilities	-	262,161,744	262,161,744

	As at 31 December 2019		
	Level 1 RMB	Level 2 RMB	Total RMB
Financial assets as FVTPL			
Listed equity shares in the PRC	51,750,000	-	51,750,000
Financial liabilities as FVTPL			
Derivative financial liabilities	-	112,549,008	112,549,008

There were no transfers between the levels of fair value hierarchy in the current year and prior years.

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2020 RMB	31/12/2019 RMB	RMB
Listed equity shares in the PRC	Level 1	48,450,000	51,750,000	Quoted bid prices in an active market
Derivative financial liabilities	Level 2	262,161,744	112,549,008	Function of time and movement in interest rates and credit spreads

20. RELATED PARTY TRANSACTIONS

(i) Balances:

Sichuan Development, the immediate holding company of the Company, is owned and controlled by the State Owned Assets Supervision and Administration Commission of Sichuan Province, which also controls a significant portion of the productive assets and entities in the Sichuan Province (collectively referred as the "state-owned enterprises").

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties, including Sichuan Development and its subsidiaries (the "Sichuan Development Group") but excluding other state-owned enterprises not under the Sichuan Development Group, during the six months ended 30 June 2020 and 2019 and balances as at 30 June 2020 and 31 December 2019 with related parties transactions.

(ii) Transactions with related parties:

During the period, the Group has the following related party transactions which are carried out in the normal course of the Group's business:

Name of related companies	Nature of related party relationship	Nature of transaction	Six months ended 30 June 2020 RMB (unaudited)	Six months ended 30 June 2019 RMB (unaudited)
成都国泰弘盛商业管理有限公司	Related company*	Lease payment and interest expense on lease liabilities	839,953	364,878
四川弘展联行物业服务有限公司	Fellow subsidiary	Building management fee	236,288	159,279
		Lease payment and interest expense on lease liabilities	-	98,182
四川超越蜀景园林绿化工程有限责任公司	Fellow subsidiary	Rental expense	75,852	42,548
炼石投资有限公司	Fellow subsidiary	Interest income on loan receivables	341,697	-

*Related due to common shareholder.

20. RELATED PARTY TRANSACTIONS (Continued)

(iii) Key management compensation:

The emoluments of the directors of the Company during the period were as follows:

	Six months ended 30 June	
	2020	2019
	RMB	RMB
	(Unaudited)	(Unaudited)
Short-term benefits	168,000	141,930
Post-employment benefits	23,234	43,482
	191,234	185,412

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of Sichuan Development International Holding Company Limited (the "Company") and its subsidiaries (thereinafter collectively referred to as the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in investment holding and aircraft chartering business.

RESULTS AND APPOPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period.

SHARES ISSUED IN THE YEAR

Details of share capital of the Company and movement during the year are set out in note 29 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Mr. Xiong Huiran
Mr. Lu Chibin (resigned 11 November 2019)
Ms. Wang Lu

In accordance with Article 13 of the Company's Articles of Association, all remaining directors continue their office for the ensuring year.

Mr. Lu Chibin resigned on 11 November 2019 as director of the Company. Mr. Lu Chibin has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its fellow subsidiaries was a party, and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

DIRECTORS' BENEFITS FROM RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial period and up to the date of this directors' report was or is there any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of Sichuan Development Holding Company Limited ("Sichuan Development"), a state-owned limited liability enterprise set up by the Sichuan Provincial People's Government of the People's Republic of China (the "PRC") with a registered capital of RMB80 billion. Sichuan Development is principally engaged in the provision of financing services and asset management. On 18 October 2018, the Group issued Guaranteed Bonds of USD500,000,000 listed on The Stock Exchange of Hong Kong Limited to finance the entities held by Sichuan Development. On 27 April 2018 and 14 August 2018, Sichuan Development injected an additional USD36,000,000 and USD54,000,000 (equivalent to RMB227,818,800 and RMB370,596,600) respectively as share capital of the Company.

During the year ended 31 December 2019, the Group purchased five additional aircraft, bringing the total in Group ownership to seventeen aircraft as at 31 December 2019 which are all currently on lease. The leases are contracted to expire between 2021 and 2030. Funding for the purchase of the aircraft was by equity and debt.

As at 31 December 2019, the Group's gearing ratio was 410% compared to 348% as at 31 December 2018 which is calculated based on the Group's total borrowings of approximately RMB6,654,336,205 (2018: RMB5,737,191,567) and the Group's total equity of approximately RMB1,621,722,788 (2018: RMB1,649,920,026).

The major risks faced by the Group are (i) the risk of economic downturn in the PRC; (ii) the change in the PRC's foreign currency policy and tax regulation and (iii) the lessee's credit risk and the asset risk of the aircrafts and engines during and after the transaction. The Group pays close attention to the above risks and continuously monitors, identifies and assesses the impact of such risks regularly and adopts necessary measures to manage the risks. The directors of the Company are not aware of any significant events affecting the Group that have occurred since the end of the reporting period nor any significant future development in the Group's business.

No significant environmental impact was generated by the Group's operations.

The directors of the Company are not aware of any non-compliance with the relevant laws and regulation that have a significant impact on the Group.

AUDITOR

The consolidated financial statements of the Company for the year have been audited by SHINEWING (HK) CPA Limited, who retire, and being eligible, offer themselves for re-appointment.

On behalf of the board

Xiong Huiran, Director
Chengdu, Sichuan, PRC
3 June 2020

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sichuan Development International Holding Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 7 to 81, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Responsibilities of Directors of the Company for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 who are responsible for overseeing the Group's financial reporting process 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chui Yiu Cheong
Practising Certificate Number: P07219

Hong Kong
3 June 2020

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB	2018 RMB
Revenue	7	386,613,732	193,350,303
Cost of revenue		(170,149,905)	(81,295,004)
Gross profit		216,463,827	112,055,299
Other income and gains	9	117,462,037	35,049,326
Share of profit of an associate		45,646,471	9,699,210
Unrealised gain (loss) on other financial assets at fair value through profit or loss ("FVTPL")		450,000	(21,300,000)
Administrative and operating expenses		(44,414,817)	(45,086,673)
Finance costs	10	(302,477,061)	(108,701,358)
Profit (loss) before tax	11	33,130,457	(18,284,196)
Income tax expense	12	(13,652,850)	(4,318,284)
Profit (loss) for the year		19,477,607	(22,602,480)
Profit (loss) for the year attributable to:			
- Owners of the Company		14,240,532	(24,299,335)
- Non-controlling interests		5,237,075	1,696,855
		19,477,607	(22,602,480)
Other comprehensive income (expense) for the year			
Items that may be reclassified into profit or loss			
Exchange differences on translation of foreign operations		21,774,447	50,157,537
Fair value losses arising on hedging instruments in cash flow hedges		(120,167,008)	-
Reclassification of losses on hedging instruments in cash flow hedges		7,618,000	-
Deferred tax on loss on fair value changes of derivative financial assets		14,068,624	-
Other comprehensive (expense) income for the year		(76,705,937)	50,157,537
Total comprehensive (expense) income for the year		(57,228,330)	27,555,057
Total comprehensive (expense) income for the year attributable to:			
- Owners of the Company		(55,221,947)	20,320,627
- Non-controlling interests		(2,006,383)	7,234,430
		(57,228,330)	27,555,057

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB	2018 RMB
Non-current assets			
Plant and equipment	13	4,893,130,289	3,523,708,262
Right-of-use asset	14	3,079,395	-
Prepayment for plant and equipment		-	6,863,200
Lease incentive assets	15	16,927,048	10,465,892
Interest in an associate	16	413,373,260	371,673,679
Deferred tax assets	26	3,982,986	-
		5,330,492,978	3,912,711,033
Current assets			
Prepayments and other receivables	17	21,134,108	34,133,692
Amount due from immediate holding company	18	296,819,208	187,788,951
Amounts due from related companies	19	257,353	-
Amount due from a non-controlling interest	18	-	14,755,880
Tax recoverable		24,530	24,530
Other financial assets	20	51,750,000	158,471,493
Restricted bank balances	21	75,161,523	48,075,330
Bank balances and cash	21	361,283,938	42,531,875
Bank term deposits	21	2,367,053,311	3,129,619,200
		3,173,483,971	3,615,400,951
Current liabilities			
Interest payables		43,145,616	38,805,593
Other payables	22	36,514,603	76,701,325
Tax payable		664,694	-
Lease liabilities	14	808,669	-
Amount due to a fellow subsidiary	18	22,264	-
Amount due to a related company	19	-	307,588
Current portion of long term borrowings	25	262,856,203	174,349,706
		344,012,049	290,164,212
Net current assets		2,829,471,922	3,325,236,739
Total assets less current liabilities		8,159,964,900	7,237,947,772

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(Continued)

	Note	2019 RMB	2018 RMB
Non-current liabilities			
Lease liabilities	14	2,336,255	-
Derivative financial liabilities	23	112,549,008	-
Guaranteed bonds	24	3,483,828,480	3,425,174,471
Long term borrowings	25	2,907,651,522	2,137,667,390
Deferred tax liabilities	26	-	3,244,777
Maintenance reserves	27	10,258,771	10,092,596
Lessor contribution	28	21,618,076	11,848,512
		6,538,242,112	5,588,027,746
Net assets		1,621,722,788	1,649,920,026
Capital and reserves			
Share capital	29	1,492,548,060	1,492,548,060
Reserves		(43,251,721)	11,970,226
Equity attributable to owners of the Company		1,449,296,339	1,504,518,286
Non-controlling interests		172,426,449	145,401,740
Total equity		1,621,722,788	1,649,920,026

The consolidated financial statements on pages 7 to 81 were approved and authorised for issue by the board of directors on 3 June 2020 and are signed on its behalf by:

Ms. Wang Lu, Director

Mr. Xiong Huiran, Director

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to the owners of the Company							
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB
As at 1 January 2018	894,132,660	105,961	(11,464,499)	7,606,059	(4,597,922)	885,782,259	55,449,810	941,232,069
Loss for the year	-	-	-	-	(24,299,335)	(24,299,335)	1,696,855	(22,602,480)
Exchange differences on translation of foreign operations	-	-	44,619,962	-	-	44,619,962	5,537,575	50,157,537
Total comprehensive expense for the year	-	-	44,619,962	-	(24,299,335)	20,320,627	7,234,430	27,555,057
Issue of new shares	598,415,400	-	-	-	-	598,415,400	-	598,415,400
Capital contribution by a non-controlling interest	-	-	-	-	-	-	82,717,500	82,717,500
As at 31 December 2018	1,492,548,060	105,961	33,155,463	7,606,059	(28,897,257)	1,504,518,286	145,401,740	1,649,920,026

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

	Attributable to the owners of the Company								
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Hedging reserve	Accumulated losses	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB	RMB
As at 1 January 2019	1,492,548,060	105,961	33,155,463	7,606,059	-	(28,897,257)	1,504,518,286	145,401,740	1,649,920,026
Profit for the year	-	-	-	-	-	14,240,532	14,240,532	5,237,075	19,477,607
Exchange differences on translation of foreign operations	-	-	19,169,867	-	-	-	19,169,867	2,604,580	21,774,447
Fair value losses arising on hedging instruments in cash flow hedges	-	-	-	-	(88,632,346)	-	(88,632,346)	(9,848,038)	(98,480,384)
Total comprehensive expense for the year	-	-	19,169,867	-	(88,632,346)	14,240,532	(55,221,947)	(2,006,383)	(57,228,330)
Capital contribution by a non-controlling interest	-	-	-	-	-	-	-	29,031,092	29,031,092
As at 31 December 2019	1,492,548,060	105,961	52,325,330	7,606,059	(88,632,346)	(14,656,725)	1,449,296,339	172,426,449	1,621,722,788

Notes:

i. Capital reserve represented contributions made in excess of the paid up capital by the previous shareholders of a subsidiary.

ii. The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB	2018 RMB
OPERATING ACTIVITIES		
Profit (loss) before tax	33,130,457	(18,284,196)
Adjustments for:		
Bank interest income	(93,004,354)	(25,851,377)
Share of profit of an associate	(45,646,471)	(9,699,210)
Dividend income	(5,025,000)	-
Depreciation of plant and equipment	167,200,929	81,552,407
Depreciation of right-of-use assets	839,835	-
Amortisation of intangible assets	3,249,244	3,239,158
Unrealised (gain) loss on other financial assets at FVTPL	(450,000)	21,300,000
Gain on disposal of other financial assets at amortised cost	(404,465)	(2,520,820)
Interest income from other financial assets at amortised cost	-	(161,204)
Interest income from immediate holding company	(11,845,999)	(53,240)
Loss on written off of plant and equipment	-	25,360
Finance costs	302,477,061	108,701,358
Operating cash flows before movements in working capital	350,521,237	158,248,236
Decrease (increase) in prepayments and other receivables	13,138,648	(27,041,103)
(Decrease) increase in other payables	(41,145,775)	20,228,713
Decrease in maintenance reserve	-	(2,865,136)
Cash generated in operations	322,514,110	148,570,710
Tax paid	(6,283,719)	(1,494,202)
NET CASH FROM OPERATING ACTIVITIES	316,230,391	147,076,508
INVESTING ACTIVITIES		
Bank interest received	93,012,879	25,835,283
Interest from immediate holding company received	2,576,521	53,240
Dividend from an associate	10,462,644	-
Dividend income	5,025,000	-
Release (placement) of term deposits	1,042,657,930	(3,019,161,386)
Acquisition of plant and equipment	(1,457,109,805)	(2,258,702,855)
Acquisition of intangible asset	-	(86,917,996)
Acquisition of interest in an associate	-	(348,663,276)
Prepayment for plant and equipment	-	(6,863,200)
Purchase of other financial assets at amortised cost	-	(297,000,000)
Proceeds from disposal of other financial assets at amortised cost	107,575,958	192,520,820
Advance to immediate holding company	(111,260,779)	(187,788,951)
Repayment from immediate holding company	11,500,000	6,079,327
NET CASH USED IN INVESTING ACTIVITIES	(295,559,652)	(5,980,608,994)

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Continued)

	Notes	2019 RMB	2018 RMB
FINANCING ACTIVITIES			
New long term borrowing raised		1,024,200,944	1,565,213,622
New guaranteed bond raised		-	3,302,082,554
Issue of shares		-	598,415,400
Capital injection by a non-controlling interest		43,794,561	68,014,467
(Placement) withdrawal of restricted bank balances		(26,001,785)	214,859,596
Repayment of bank borrowing		(210,176,158)	(106,658,108)
Repayment of lease liabilities		(926,119)	-
Dividend paid		-	(11,628,404)
Interest paid		(297,706,463)	(105,558,892)
NET CASH FROM FINANCING ACTIVITIES		533,184,980	5,524,740,235
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		553,855,719	(308,792,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		83,711,075	399,198,879
Effect of foreign exchange rate changes		3,612,064	(6,695,553)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		641,178,858	83,711,075
Analysis of Components of Cash and Cash Equivalents:			
Bank balances and cash	21	361,283,938	42,531,875
Bank term deposits (less than 3 months)	21	279,894,920	41,179,200
		641,178,858	83,711,075

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Sichuan Development International Holding Company Limited (the "Company") was incorporated in Hong Kong on 3 January 2001 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is 6/F, Alexandra House, 18 Charter Road, Central, Hong Kong and principal place of business is Room 1501, 15/F, Fortress Tower, 250 King's Road, North Point, Hong Kong. The principal activities of the Company and its subsidiaries are the provision financing services and aircraft chartering business.

The immediate holding company of the Company is Sichuan Development Holding Company Limited ("Sichuan Development"). The directors of the Company consider the ultimate holding party of the Company to be the State Owned Assets Supervision and Administration Commission of Sichuan Province.

The presentation currency of the consolidated financial statement is in RMB to be in line with the holding group presentation currency. Other than the direct subsidiary incorporated in PRC, whose functional currency is RMB, the functional currency of the Company and other subsidiaries is in USD.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS") and HK(IFRIC) Interpretation ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
HK (IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. In accordance with the transition provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively and has restated comparatives for the prior year presented. The net impact on profit is nil.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The Group as lessee

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For full retrospective, there were right-of-use assets and lease liabilities at 1 January 2018 which is not significant in amount.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

The Group as lessor

The Group leases aircrafts, the accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16.

	Carrying amount previously reported at 31 December 2018 RMB	Impact on adoption of HKFRS 16 RMB	Carrying amount as restated at 31 December 2018 RMB
Plant and equipment	3,398,105,133	125,603,129	3,523,708,262
Maintenance intangible assets	137,122,666	(126,656,774)	10,465,892
Maintenance intangible liabilities	(1,053,645)	1,053,645	-

Note: It represents the maintenance intangible assets and liabilities to be classified under Plant and equipment under the transition of HKFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework For Financial Reporting[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning in or after a date to be determined
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that the application of new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in an associate (Continued)

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

Operating lease income is recognised on a straight-line basis over the period of each charter.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in profit or loss in the period in which the item is derecognised.

Maintenance intangible assets / liabilities

Maintenance intangibles associated with the acquisition of aircraft with in-place leases represent the difference in value between the contractual right to receive an aircraft in a specified maintenance condition on redelivery and the maintenance condition on the acquisition date. Maintenance intangible assets exist if on the acquisition date, the maintenance condition of the aircraft is worse than the expected maintenance condition on redelivery. A maintenance intangible liability exists if on the acquisition date, the maintenance condition is better than expected redelivery condition and the lessor has agreed to compensate the lessee for the enhanced maintenance condition on redelivery.

When the Group has recorded maintenance intangible assets, the following subsequent accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment to the Group by the lessee, the maintenance intangible asset is released and an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group's capitalisation policy; (ii) the lessee pays the Group cash compensation at lease expiry in excess of the value of the maintenance intangible asset, the maintenance intangible asset is relieved and any excess is recognised as end of lease income consistent with the Group's existing policy; or (iii) the lessee pays the Group cash compensation at lease expiry that is less than the value of the maintenance intangible asset, the cash is applied to the maintenance intangible asset and the balance of such asset is relieved and recorded as an aircraft improvement to the extent the improvement is substantiated and meets the Group's capitalisation policy. Any aircraft improvement will be depreciated in accordance with the Group's depreciation policy. When the Group has recorded maintenance intangible liabilities, the following subsequent accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment by the Group to the lessee, the maintenance intangible liability is relieved and end of lease income is recognised; (ii) the Group pays the lessee cash compensation at lease expiry of less than the value of the maintenance intangible liability, the maintenance intangible liability is relieved and any difference is recognised as end of lease income; or (iii) the Group pays the lessee cash compensation at lease expiry in excess of the value of the maintenance right liability, the maintenance right liability is relieved and the excess amount is recorded as an aircraft improvement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease intangible assets

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at market value by comparing the contractual lease rates to the range of current lease rate of a similar aircraft. A lease premium is recognised when it is determined that the acquired lease terms are above fair market value. Lease deficits are recognised when it is determined that the acquired lease terms are below fair market value. Lease deficits are recorded as other liabilities and amortised on a straight-line basis over the lease term. Lease premiums are recorded as intangible assets and amortised on a straight-line basis over the lease term.

Lessor contributions and incentive assets

Lessor contribution liabilities are established at the commencement of the lease and represents the best estimate of the contractually obligations of the Group and Company to the lessee's cost of the next planned major maintenance events, expected to occur during the lease.

In addition, a lease incentive asset is recognised for the same amount, and is amortised over the life of the associated lease.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing
(Accounting Policy applicable on or after 1 January 2019)

Definition of a lease

Under HKFR 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)
(Accounting Policy applicable on or after 1 January 2019)

The Group as lessee (Continued)

Lease liabilities (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)
(Accounting Policy applicable on or after 1 January 2019)

The Group as lessee (Continued)

Right-of-use assets (Continued)

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to aircrafts. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss. If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period/ year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/ year. Taxable profit differs from profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary difference. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary difference can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered..

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other income and gains' line item. Fair value is determined in the manner described in note 6(c).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes 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. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) 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. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the 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 into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases (on or after 1 January 2019) or HKAS 17 Leases (prior to 1 January 2019).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction- related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time - period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis - the Group applies straight - line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non - financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non - financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Note 6 sets out details of the fair values of the derivative instruments used for hedging purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedge accounting (Continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other income and gains and losses'.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedge accounting (Continued)

Cash flow hedges (Continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fai value measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 –	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Impairment losses on tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful life and impairment of plant and equipment (including right-of-use assets)

At the end of each reporting period, the directors of the Company review the estimated useful life of plant and equipment (including right-of-use assets). The carrying amount of plant and equipment with finite useful life as at 31 December 2019 is RMB4,893,130,289 (2018: RMB3,398,105,133).

At the end of the reporting period, the directors of the Company review the carrying amounts of its plant and equipment with finite useful lives as at 31 December 2019 is RMB4,893,130,289 (2018: RMB3,398,105,133). The impairment loss for plant and equipment was recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, use of estimate such as the future revenue and discount rates is required. No impairment loss on plant and equipment was recognised for both years.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of lease incentive assets / maintenance intangible asset

Determining whether lease incentive assets / maintenance intangible asset is impaired requires an estimation of the value-in-use of the intangible asset. The value-in-use calculation requires the management of the management of the Group ("Management") to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2019, the carrying amount of lease incentive assets / maintenance intangible asset are approximately RMB16,927,048 (2018: RMB137,122,666) No impairment loss on maintenance intangible asset was recognised for both years.

Impairment of interest in an associate

During the year ended 31 December 2019, the Group invested in an associate which the principal activities of the associate is production and sales of processed fruit products and trading of fresh food. The Management performed an impairment test using valuation model to estimate the recoverable amount of the investment. The estimation was based on certain assumptions which are subject to uncertainty and might differ from the actual result. The Management considered that no impairment loss should be provided on abovementioned interest in an associate.

As at 31 December 2019, the carrying amount of interest in associate is RMB413,373,260 (2018: RMB371,673,679). No impairment loss has been recognised during the year ended 31 December 2019. Details are disclosed in note 16.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes guaranteed bonds, long term borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS (Continued)

(a) Categories of financial instruments

	2019 RMB	2018 RMB
Financial assets		
Financial assets at amortised cost	3,118,266,988	3,560,409,794
Financial assets at FVTPL	51,750,000	51,300,000
Financial liabilities		
Financial liabilities at amortised cost	6,733,923,091	5,848,362,063
Derivative financial liabilities	112,549,011	-

(b) Financial risk management objectives and policies

The Group's major financial instruments include other receivables, amount due from immediate holding company, amounts due from related companies, financial assets at FVTPL, financial assets at amortised cost, bank balances and cash and bank term deposits, interest payables, other payables, amount due to a fellow subsidiary, amount due to a related company, guaranteed bonds and long term borrowings. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations. However, certain bank balances as at 31 December 2019 and 2018 are denominated in currencies other than the functional currencies of the respective group entities which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	2019 RMB	2018 RMB
HK$	10,983,823	4,174,340
RMB	15,488,249	11,293,783

The Group entities are mainly exposed to the fluctuation of HK$ and RMB.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity analysis to a 5% (2018: 5%) increase and decrease in the respective reporting entity's functional currency against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2018: decrease in post-tax loss) where the respective functional currencies of the reporting entities strengthening 5% (2018: 5%) against the relevant foreign currency. For a 5% (2018: 5%) weakening of respective functional currencies of the reporting entities against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit (2018: post-tax loss) and the balances below would be negative.

	HK$		RMB	
	2019	2018	2019	2018
	RMB	RMB	RMB	RMB
Profit or loss	(458,575)	(174,279)	(673,286)	(488,590)

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, guaranteed bonds and long term borrowings. Bank balances and long term borrowings at variable rates expose the Group to cash flow interest-rate risk, while loan receivable, guaranteed bonds and long term borrowings at fixed rates expose the Group to fair value interest-rate risk. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is applied (see note 23).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 25 for details of these borrowings) and pay-floating/ receive-fixed interest rate swaps.

The Group's bank balances, guaranteed bonds and long term borrowings at their respective interest rates as at 31 December 2019 and 2018 are set out as below:

	As at 31 December 2019		As at 31 December 2018	
	Interest rate	RMB	Interest rate	RMB
Fixed rate guaranteed bonds	4.80% p.a.	3,483,828,480	4.80% p.a.	3,425,174,471
Fixed rate time deposit	2.42% to 3.25% p.a.	2,367,053,311	1.20% to 3.92% p.a.	3,129,619,200
Variable rate bank balances	0% to 0.35% p.a.	436,430,816	0% to 0.35% p.a.	90,601,380
Fixed rate long term borrowings	3.95% to 4.20% p.a.	724,387,076	3.95% to 4.90% p.a.	2,154,274,696
Variable rate long term borrowings	2.83% to 4.90%p.a.	2,491,295,772	4.17% p.a.	157,742,400
Derivative financial liabilities		112,549,008		-

Sensitivity analysis

For variable rate bank balances and long term borrowings, if the interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's profit (2018: loss) after tax and accumulated losses would increase/decrease by approximately RMB9,061,487 (2018: RMB301,829).

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group has appointing a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2018: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2019 would increase/decrease by RMB51,750,000 (2018: RMB5,130,000) as a result of the changes in fair value of held-for-trading investments which have been impaired.

Credit risk

As at 31 December 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents, other receivables and amounts due from immediate holding company, related companies and non-controlling interest. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has policies in place to ensure that loans are only made to entities controlled by the immediate holding company debtors with appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

For non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL–credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Company's maximum exposure to credit risk by credit risk rating grades.

				31/12/2019			31/12/2018		
	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB	Loss allowance RMB	Net carrying amount RMB	Gross carrying amount RMB	Loss allowance RMB	Net carrying amount RMB
Amount due from immediate holding company	N/A	Performing	12-month ECL	296,819,208	-	296,819,208	187,788,951	-	187,788,951
Amount due from related companies	N/A	Performing	12-month ECL	257,353	-	257,353	-	-	-
Amount due from a non-controlling interest	N/A	Performing	12-month ECL	-	-	-	14,755,880	-	14,755,880
Other receivables	N/A	Performing	12-month ECL	17,691,655	-	17,691,655	30,467,065	-	30,467,065

The credit quality of counterparty in respect of other receivables are assessed by taking into account its consolidated financial position and other factors. The directors of the Company are of the opinion that the risk of default by the counterparty is low.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds and financial assets at amortised cost is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. The table includes both interest and principal cash flows.

	On demand or less than 1 year	1 - 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB	RMB	RMB	RMB	RMB
As at 31 December 2019					
Non-derivative financial liabilities:					
Interest payable	43,145,616	-	-	43,145,616	43,145,616
Other payables	14,800,930	-	-	14,800,930	14,800,930
Lessor contribution	-	21,618,076	-	21,618,076	21,618,076
Amount due from a fellow subsidiary	22,264	-	-	22,264	22,264
Long term borrowing					
- Fixed rate	244,842,607	1,556,200,887	2,003,294,307	3,804,337,801	3,027,638,803
- Variable rate	18,013,596	133,953,631	-	151,967,227	142,868,922
Guaranteed bonds	167,428,800	3,822,957,600	-	3,990,386,400	3,483,828,480
	488,253,813	5,534,730,194	2,003,294,307	8,026,278,314	6,733,923,091
Derivative – net settlement					
Interest rate swaps	112,549,011	-	-	112,549,011	112,549,011

Additional information about the maturity of lease liabilities is provided in the following table:

As at 31 December 2019	Less than 1 year	1 - 5 years	Total undiscounted cash flows	Carrying amount
	RMB	RMB	RMB	RMB
Lease liabilities	926,119	2,469,651	3,395,770	3,144,924

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 December 2018

Non-derivative financial liabilities:					
Interest payable	38,805,593	-	-	38,805,593	38,805,593
Other payables	60,208,803	-	-	60,208,803	60,208,803
Lessor contribution		11,848,512		11,848,512	11,848,512
Amount due from a fellow subsidiary	307,588	-	-	307,588	307,588
Long term borrowing					
- Fixed rate	157,162,047	872,926,945	1,780,929,624	2,811,018,616	2,154,274,696
- Variable rate	17,187,659	157,222,839	-	174,410,498	157,742,400
Guaranteed bonds	164,716,800	3,761,033,600	-	3,925,750,400	3,425,174,471
	438,388,490	4,803,031,896	1,780,929,624	7,022,350,010	5,848,362,063

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the consolidated statement of financial position

The following provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	As at 31 December 2019		
	Level 1 RMB	Level 2 RMB	Total RMB
Financial assets as FVTPL			
Listed equity shares in the PRC	51,750,000	-	51,750,000
Financial liabilities as FVTPL			
Derivative financial liabilities	-	112,549,011	112,549,011

	As at 31 December 2018	
	Level 1 RMB	Total RMB
Financial assets as FVTPL		
Listed equity shares in the PRC	51,300,000	51,300,000

There were no transfers between the levels of fair value hierarchy in the current year and prior years.

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31/12/2019 RMB	31/12/2018 RMB	RMB
Listed equity shares in the PRC	Level 1	51,750,000	51,300,000	Quoted bid prices in an active market
Derivative financial liabilities	Level 2	112,549,011	N/A	Function of time and movement in interest rates and credit spreads

7. REVENUE

Revenue represents revenue arising on provision of financing services and aircraft chartering business. An analysis of the Group's revenue for the year is as follows:

	2019 RMB	2018 RMB
Revenue from source other than contract with customers		
Rental of aircraft to airline operators	386,613,732	193,350,303

8. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on the aircraft chartering business. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance. The CODM monitors the revenue from rental of aircraft to airline operators with no discrete information available to the CODM. The CODM reviews the profit for the year of the Group as a whole for performance assessment.

Geographical information

The Group's operations are located in the PRC and Republic of Ireland ("Ireland").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue generated from		Non-current assets	
	2019 RMB	2018 RMB	2019 RMB	2018 RMB
The PRC	110,552,361	19,055,492	416,894,860	372,297,303
Ireland	-	-	4,909,615,132	3,541,467,375
Spain	73,855,120	64,844,087	-	-
India	54,149,727	16,449,056	-	-
Singapore	51,979,590	49,039,990	-	-
Hungary	28,129,144	21,615,916	-	-
United Arab Emirates	27,986,780	13,437,279	-	-
Turkey	22,516,704	8,908,483	-	-
Korea	17,444,306	-	-	-
	386,613,732	193,350,303	5,326,509,992	3,913,764,678

Note: Non-current assets excluded financial instruments and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenues of the Group is as follows:

	2019 RMB	2018 RMB
Customer A	73,855,120	65,930,380
Customer B	N/A[1]	25,718,492
Customer C	N/A[1]	24,142,982
Customer D	N/A[1]	21,978,033
Customer E	54,149,727	N/A[1]
Customer F	49,338,072	N/A[1]

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAINS

	2019 RMB	2018 RMB
Bank interest income	93,004,354	25,851,377
Interest income from immediate holding company	11,845,999	53,240
Dividend income	5,025,000	-
Exchange gain, net	-	4,642,780
Gain on disposal of financial assets at amortised cost (Note (a))	404,465	2,520,820
Interest income on financial assets at amortised cost (Note (a))	-	161,204
Government grant (Note (b))	7,093,568	1,780,320
Sundry income	88,651	39,585
	117,462,037	35,049,326

Notes:

(a) The Group disposed certain short term financial products during the year ended 31 December 2019 with an aggregate cost of RMB107,000,000 (2018: RMB297,000,000) and recorded a realised gain of RMB404,465 (2018: RMB2,520,820) on disposal of the financial products and an accrued interest income of nil (2018: RMB161,204) for the financial products on hand.

9. OTHER INCOME AND GAINS (Continued)

Notes:

(b) Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the contribution to the local economic development. The government grants are one-off with no specific condition attached.

10. FINANCE COSTS

	2019 RMB	2018 RMB
Interest on long term borrowings	123,647,809	72,202,054
Interest on guaranteed bonds	167,798,634	32,620,679
Interest on lease liabilities	151,813	-
Losses on derivative financial assets	7,618,000	-
Commitment fee	2,536,463	3,051,449
Loan agency fee	724,342	827,176
	302,477,061	108,701,358

11. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting):

	2019 RMB	2018 RMB
Staff costs and other benefits	17,144,539	13,107,232
Contributions to retirement benefit schemes	915,908	858,634
Total staff costs (including directors' emoluments)	18,060,447	13,965,866
Directors' emoluments (including the directors of the Company and directors of the Company's subsidiaries)	1,767,106	1,526,021
Depreciation of plant and equipment	167,200,929	81,552,407
Depreciation of right-of-use assets	839,835	-
Amortisation of intangible assets	3,249,244	3,239,158
Loss on written off on plant and equipment	-	25,360
Exchange losses (gain), net (included in other income)	17,222	(4,642,780)

12. INCOME TAX EXPENSE

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2018 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provisions for Hong Kong Profits Tax have been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2019 and 2018.

Ireland Corporation Tax

Corporation tax in the Republic of Ireland is calculated at 12.5% of the estimated assessable profit for the years ended 31 December 2019 and 2018. No provisions for corporation tax have been made as the Group did not have any assessable profits subject to corporation tax in the Ireland during both year.

Overseas income tax

Pursuant to the rules and regulations of the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the BVI.

PRC Enterprise Income Tax (the "EIT")

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25% for the years ended 31 December 2019 and 2018.

Withholding tax

Withholding tax at a concessionary tax rate of 10% was levied on payments made to non-residents on passive income including the intra-group interest income received by the Company from its PRC subsidiary.

12. INCOME TAX EXPENSE (Continued)

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB	2018 RMB
Current tax:		
Withholding tax on interest income received from PRC subsidiaries	657,291	-
PRC Enterprise Income Tax	6,283,719	1,535,502
	6,941,010	1,535,502
Deferred taxation (note 26)	6,711,840	2,782,782
	13,652,850	4,318,284

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follow:

	2019 RMB	2018 RMB
Profit (loss) before tax	33,130,457	(18,284,196)
Calculated at the rates applicable to profit in the tax jurisdictions concerned	2,764,929	(6,766,210)
Tax effect of income not taxable for tax purpose	(22,875,168)	(6,508,981)
Tax effect of expenses not deductible for tax purpose	28,600,154	13,303,303
Withholding tax on interest income received from PRC subsidiaries	657,291	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,798,759	1,445,220
Tax effect of tax loss not recognised	203,450	2,960,161
Utilisation of tax losses previously not recognised	(496,565)	(115,209)
Income tax expense	13,652,850	4,318,284

13. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Aircrafts	Lease intangible	Maintenance intangible assets	Maintenance intangible liabilities	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
COST								
At 1 January 2018	543,906	702,368	84,534	1,043,212,748	-	91,113,158	(1,003,137)	1,134,653,577
Additions	355,162	-	-	2,313,936,619	23,160,900	64,181,262	-	2,401,633,943
Written off	-	-	(84,534)	-	-	(55,588,926)	-	(55,673,460)
Exchange realignment	5,526	-	-	138,476,259	860,300	4,906,942	(50,508)	144,198,519
At 31 December 2018	904,594	702,368	-	3,495,625,626	24,021,200	104,612,436	(1,053,645)	3,624,812,579
Additions	709,567	-	-	1,409,165,318	20,798,978	33,334,442	-	1,464,008,305
Exchange realignment	9,033	-	-	73,426,034	629,764	2,097,861	(17,348)	76,145,344
At 31 December 2019	1,623,194	702,368	-	4,978,216,978	45,449,942	140,044,739	(1,070,993)	5,164,966,228
ACCUMULATED DEPRECIATION								
At 1 January 2018	245,530	345,666	49,312	13,304,180	-	-	-	13,944,688
Charge for the year	119,251	140,837	9,862	81,282,457	1,829,182	-	-	83,381,589
Eliminated on written off	-	-	(59,174)	-	-	-	-	(59,174)
Exchange realignment	466	-	-	3,689,068	147,680	-	-	3,837,214
At 31 December 2018	365,247	486,503	-	98,275,705	1,976,862	-	-	101,104,317
Charge for the year	236,761	140,837	-	161,132,371	5,690,960	-	-	167,200,929
Exchange realignment	1,086	-	-	3,432,959	96,648	-	-	3,530,693
At 31 December 2019	603,094	627,340	-	262,841,035	7,764,470	-	-	271,835,939
CARRYING VALUES								
At 31 December 2019	1,020,100	75,028	-	4,715,375,943	37,685,472	140,044,739	(1,070,993)	4,893,130,289
At 31 December 2018	539,347	215,865	-	3,397,349,921	22,044,338	104,612,436	(1,053,645)	3,523,708,262

13. PLANT AND EQUIPMENT (Continued)

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives or at rates per annum as follows:

Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20%
Leasehold improvement	Over the term of the lease or 20%, whichever is the shorter
Aircrafts	4% with a residual value of 15%
Lease intangible assets	Over the lease term

As at 31 December 2019, aircrafts with carrying values of RMB4,715,375,943 (2018: RMB3,397,349,921 were pledged to banks for bank borrowings.

14. LEASES

(i) Right-of-use assets

	2019 RMB	2018 RMB
Building	3,079,395	-

The Group has lease arrangements for building. The lease term is for five years.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to RMB3,919,230 (2018: nil), due to a new lease of office.

14. LEASES (Continued)

(ii) Lease liabilities

	2019 RMB	2018 RMB
Non-current	2,336,255	-
Current	808,669	-
	3,144,924	-

Amounts payable under lease liabilities	2019 RMB	2018 RMB
Within one year	808,669	-
After one year but within two years	844,556	-
After two years but within five years	1,491,699	-
	3,144,924	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	(808,669)	-
Amount due for settlement after 12 months	2,336,255	-

During the year ended 31 December 2019, the Group entered into a new lease agreement in respect of office and recognised lease liability of approximately RMB3,919,230.

(iii) Amounts recognised in profit or loss

	2019 RMB	2018 RMB
Depreciation expense on right-of-use assets	839,835	-
Interest expenses on lease liabilities	151,813	-
Expense relating to short term leases	596,221	1,126,215

(iv) Others

During the year ended 31 December 2019, the total cash outflow for leases amount to RMB1,522,340 (2018: RMB1,126,215).

15. LEASE INCENTIVE ASSETS

	RMB
At 1 January 2018	-
Additions	11,424,346
Amortisation during the year	(1,389,723)
Exchange realignment	431,269
At 31 December 2018	10,465,892
Additions	9,467,845
Amortisation during the year	(3,249,244)
Exchange realignment	242,555
At 31 December 2019	16,927,048

16. INTEREST IN AN ASSOCIATE

	2019 RMB	2018 RMB
Costs of investment in an associate	348,663,276	348,663,276
Share of post-acquisition profit and other comprehensive income, net of dividend	44,883,037	9,699,210
Exchange realignment	19,826,947	13,311,193
	413,373,260	371,673,679

As at 31 December 2019 and 2018, the Group had interest in the following material associate:

Name of entity	Form of entity	Country of incorporation/ registration	Place/ Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activity
					2019	2018	2019	2018	
Tianyun International Holdings Limited ("Tianyun")	Incorporated	British Virgin Islands	China	Ordinary	27%	27%	27%	27%	Investment holding

	2019 RMB	2018 RMB
Fair value of listed investment:		
Tianyun International Holdings Limited	236,409,546	259,603,468

The fair values of the Group's interests in associates disclosed above are based on the quoted market price available on their respective stock exchange, which are level 1 input in terms of HKFRS 13.

16. INTEREST IN AN ASSOCIATES (Continued)

The summarised financial information in respect of the associate that is material to the Group and are accounted for using equity method is set out below:

Tianyun International Holdings Limited	2019 RMB	2018 RMB
Current assets	762,933,000	670,270,000
Non-current assets	459,943,000	450,577,000
Current liabilities	(287,365,000)	(280,670,000)
Non-current liabilities	(10,384,000)	(43,085,000)

	2019 RMB	2019 RMB
Revenue	1,062,767,000	940,507,000
Profit and total comprehensive for the year	169,090,000	147,527,000
The Group's share of total comprehensive income	45,646,471	9,699,210
Dividend shared by the Group and received from the associate during the year	10,462,644	-

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

Tianyun International Holdings Limited	2019 RMB	2018 RMB
Net assets of the associate attributable to owners	927,402,000	797,092,000
Proportion of the Group's ownership interest	27%	27%
	250,398,667	215,214,840
Goodwill	143,147,646	143,147,646
Exchange realignment	19,826,947	13,311,193
Carrying amount of the Group's interest	413,373,260	371,673,679

17. PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB	2018 RMB
Other receivables	15,500,219	30,933,814
Prepayments and deposits	5,633,889	3,199,878
	21,134,108	34,133,692

The Group has individually assessed other receivables at 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition. No impairment was recognised for the years ended 31 December 2019 and 2018.

18. AMOUNTS DUE FROM (TO) IMMEDIATE HOLDING COMPANY / A NON-CONTROLLING INTEREST / A FELLOW SUBSIDIARY

Except for the amount due from immediate holding company which carried an interest of 3.35% per annum, unsecured and repayable on demand, all amounts are unsecured, interest free and repayable on demand.

19. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Name of companies	Notes	2019 RMB	2018 RMB	Maximum balance outstanding during year 2019 RMB	 2018 RMB
成都国泰弘盛商业管理有限公司	(a), (c)	154,353	(307,588)	154,353	N/A
天韵食品（四川）有限公司	(b), (c)	103,000	-	103,000	N/A
		257,353	(307,588)		

Notes:

(a) The related company is an associate of a fellow subsidiary of the Group.

(b) Key management personnel of the Company being the director of the related company.

(c) The amounts are unsecured, interest free and repayable on demand.

20. OTHER FINANCIAL ASSETS

Other financial assets comprised of the following:

		2019 RMB	2018 RMB
Financial assets designated as FVTPL			
- Listed equity securities in the PRC	note	51,750,000	51,300,000
Financial assets at amortised cost			
- Investment in corporate wealth management products		-	107,171,493
		51,750,000	158,471,493

Note: The listed equity securities were held by a fellow subsidiary company, 四川三新創業投資有限責任公司 on behalf of the Group.

21. BANK BALANCES AND CASH AND BANK TERM DEPOSITS

Bank balances and cash and bank term deposits include the following for the purpose of the consolidated statement of cash flows:

	2019 RMB	2018 RMB
Cash at bank and on hand	361,283,938	42,531,875
Bank term deposits (less than 3 months)	279,894,920	41,179,200
Bank term deposits (over 3 months)	2,087,158,391	3,088,440,000
	2,367,053,311	3,129,619,200
Restricted bank balances	75,161,523	48,075,330

As at 31 December 2019, the fixed interest rate on term deposits with initial terms of less than three months ranged 2.7% to 3.25% p.a. (2018: 1.2% p.a.) and term deposits with initial terms of more than three months ranged 2.42% to 2.90% p.a. (2018: 3.4% to 3.92% p.a.). Cash at banks carries interest at prevailing market rate for both reporting periods.

As at 31 December 2019, there were RMB15,488,249 (2018: RMB11,293,783), RMB10,983,823 (2018: RMB4,174,340) and RMB1,041,357 (2018: RMB995,118) of the bank balances and cash and bank term deposits of the Group denominated in RMB, HK$ and Euro respectively which were currencies other than functional currencies of the Company and its subsidiaries.

Restricted bank balances subject to withdrawal restrictions represent cash securing the Group's obligations under third party credit facilities. Amounts received from lessees in respect of aircraft subject to certain funding arrangements may be required to be held in segregated accounts to support, amongst other things, certain maintenance related payments including major airframe overhauls, engine overhauls, engine life limited parts replacements, auxiliary power unit overhauls and landing gear overhauls, as well as interest and principal payments on the related debt facility.

22. OTHER PAYABLES

	2019 RMB	2018 RMB
Other tax payables	434,714	277,340
Other payables and accrued charges	14,800,931	60,208,803
Receipt in advance	21,278,955	16,215,182
	36,514,600	76,701,325

23. DERIVATIVE FINANCIAL LIABILITIES

	2019 RMB	2018 RMB
Derivatives for hedge:		
Interest rate swaps	112,549,011	-

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
USD27,700,204	08/03/2027	From 3 months USD Libor to 2.86%
USD27,213,393	06/03/2030	From 3 months USD Libor to 2.88%
USD24,009,537	22/03/2028	From 3 months USD Libor to 2.91%
USD33,856,312	12/07/2024	From 3 months USD Libor to 2.96%
USD22,578,154	16/05/2029	From 3 months USD Libor to 3.05%
USD36,023,266	27/06/2025	From 3 months USD Libor to 1.81%
USD29,162,090	20/07/2029	From 3 months USD Libor to 2.94%
USD28,922,963	06/08/2029	From 3 months USD Libor to 2.94%
USD34,688,757	26/02/2027	From 3 months USD Libor to 2.70%
USD35,960,658	13/08/2029	From 3 months USD Libor to 2.79%
USD17,798,401*	30/05/2025	From 3 months USD Libor to 2.17%
USD18,720,371*	09/09/2025	From 3 months USD Libor to 1.43%

* The contracts consist two swaps.

24. GUARANTEED BONDS

As at 31 December 2019, the Group had guaranteed bonds with aggregate principal of USD500,000,000 (equivalent to RMB3,488,100,000) (2018: USD500,000,000 (equivalent to RMB3,431,600,000)) with the following major terms:

Issue price:	100% of the principal amount
Interest:	4.8 % per annum payable semi-annually in arrear
Maturity:	17 October 2021 (3 years from date of issuance)

The movements of the bonds are set out below:

	2019 RMB	2018 RMB
New issue	-	3,308,700,000
Transaction cost	-	(6,617,446)
Net proceed from issue of bonds	-	3,302,082,554
Carrying amount at the beginning of the year	3,425,174,471	-
Effective interest charge for the year	167,798,634	32,620,679
Interest paid	(165,564,000)	(32,198,637)
Exchange realignment	56,419,375	122,669,875
Carrying amount at the end of the year	3,483,828,480	3,425,174,471
Less: Bonds repayable after one year shown under non-current liabilities	(3,483,828,480)	(3,425,174,471)
Current portion	-	-

The Company's bonds carried interest at effective interest rate of 4.87% per annum (2018: 4.87%) as at 31 December 2019.

25. LONG TERM BORROWINGS

	Maturity date	Security	Effective interest rate (note i)	2019 RMB	2018 RMB
Fixed rate borrowings:					
Secured US$ bank loan of US$124,890,000 (2018: US$337,420,000)	From 11/1/2024 to 11/2/2026 (2018:11/1/2024 to 10/12/2029) (note ii)	note iii	From 3.95% to 4.20% (2018: 3.95% to 4.90%)	724,387,076	2,197,451,163
Variable rate borrowings:					
Secured US$ bank loan of US$384,730,000 (2018: US$24,000,000)	From 3/11/2021 to 10/12/2029 (2018: 3/11/2021) (note ii)	note iv	From 2.83% to 4.90% (2018: 3.95%)	2,491,295,772	157,742,400
Total borrowings				3,215,682,848	2,355,193,563
Less: Arrangement fee				(45,175,123)	(43,176,467)
				3,170,507,725	2,312,017,096

Notes:

i. Also equal to contracted interest rates

ii. Repayable in quarterly installments

iii. Secured by four aircrafts with a carrying value of RMB1,052,169,968 as at 31 December 2019 classified under plant and equipment

iv. Secured by thirteen aircrafts with a carrying value of RMB3,663,205,975 as at 31 December 2019 classified under plant and equipment

25. LONG TERM BORROWINGS (Continued)

Carrying amount repayable (based on schedule repayment dates set out in the loan agreements):

	2019 RMB	2018 RMB
Within one year	262,856,203	174,349,706
After one year but within five years	1,407,921,106	848,282,165
After five years	1,499,730,416	1,289,385,225
	3,170,507,725	2,312,017,096

	2019 RMB	2018 RMB
Amounts shown under current liabilities	262,856,203	174,349,706
Amounts shown under non-current liabilities	2,907,651,522	2,137,667,390
	3,170,507,725	2,312,017,096

26. DEFERRED TAX ASSETS (LIABILITIES)

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2019 RMB	2018 RMB
Deferred tax assets	3,982,986	-
Deferred tax liabilities	-	(3,244,777)
	3,982,986	(3,244,777)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Tax loss RMB	Accelerated tax depreciation RMB	Derivative financial instruments RMB	Total RMB
At 1 January 2018	4,157,800	(4,499,238)	-	(341,438)
Charged to profit or loss	27,255,199	(30,037,981)	-	(2,782,782)
Exchange realignment	1,221,716	(1,342,273)	-	(120,557)
At 31 December 2018	32,634,715	(35,879,492)	-	(3,244,777)
Charged to profit or loss	48,147,508	(54,859,348)	-	(6,711,840)
Credited to other comprehensive income	-	-	14,068,624	14,068,624
Exchange realignment	1,079,620	(1,208,641)	-	(129,021)
At 31 December 2019	81,861,843	(91,947,481)	14,068,624	3,982,986

As at 31 December 2019, the Group had unused tax losses of RMB746,888,019 (2018: RMB365,158,239) available to offset against future profits. A deferred tax asset has been recognised in respect of RMB645,028,179 (2018: RMB261,095,894) of such losses. No deferred tax had been recognised in respect of the remaining RMB101,859,840 (2018: RMB104,062,345) due to unpredictability of future profit stream. Included in unrecognised tax losses are losses of RMB90,891,601 (2018: RMB90,159,389) that will expired in 2020 to 2024 (2018: expired in 2019 to 2023). Other losses may be carried forward indefinitely.

27. MAINTENANCE RESERVES

	RMB
At 1 January 2018	12,437,903
Repayment during the year	(2,865,136)
Exchange realignment	519,829
At 31 December 2018	10,092,596
Exchange realignment	166,175
At 31 December 2019	10,258,771

28. LESSOR CONTRIBUTION

	RMB
At 1 January 2018	-
Addition for the year	11,424,167
Exchange realignment	424,345
At 31 December 2018	11,848,512
Addition for the year	9,467,845
Exchange realignment	301,719
At 31 December 2019	21,618,076

29. SHARE CAPITAL

Issued and fully paid:

	Number of shares	RMB
At 1 January 2018	391,200,000	894,132,660
Issue of new shares (Note)	90,000,000	598,415,400
At 31 December 2018 and 31 December 2019	481,200,000	1,492,548,060

Note: On 27 April 2018 and 14 August 2019, 36,000,000 shares and 54,000,000 share at a price of US$1 each were allotted respectively by the Company to the immediate holding company for a total consideration of US$90,000,000 (equivalent to approximately RMB598,415,400).

30. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company were as follows:

	2019	2018
	RMB	RMB
Director's remuneration:		
- Fees		
- Salaries, allowances and other benefits	283,860	283,860
- Contributions to retirement benefits scheme	85,126	52,100
	368,986	335,960

31. RETIREMENT BENEFITS PLANS

As stipulated by the rules and regulations in Ireland, the Group contributes to the retirement funds scheme managed by local social security bureau in the corresponding jurisdiction. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the retirement benefits schemes to fund the benefits.

The only obligation of the Group with respect to the above schemes is to make the required contributions under the retirement fund schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years are set in notes 11 and 30 respectively.

32. OPERATING LEASES

The Group as lessor

The Group leases out aircrafts under operating leases. The leases typically run for an initial period of 3 to 12 years. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 RMB	2018 RMB
Within 1 year	446,806,553	302,270,405
After 1 year but within 2 years	442,398,563	297,583,881
After 2 years but within 3 years	419,013,821	294,648,054
After 3 years but within 4 years	419,013,821	279,073,255
After 4 years but within 5 years	380,276,046	279,073,254
After 5 years	882,073,239	829,124,724
	2,989,582,043	2,281,773,573

33. COMMITMENTS

	2019 RMB	2018 RMB
Capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	-	344,875,800

34. EVENTS AFTER THE REPORTING PERIOD

SDH Wings International Leasing Limited, a subsidiary of the Company, and Pembroke Capital Limited entered into a non-legally binding letter of intent in relation to a potential acquisition of an aircraft for onward lease. It is envisaged that the aircraft will be acquired in July 2020.

Due to the outbreak of the novel coronavirus (COVID-19), the Group has received requests from three of its customers with regard to the provision of support by way of a short-deferral of rents. Management has agreed to support these customers with a lease deferral of three months for two of the customers and six months in the case of the remaining customer. At the date of this report, the Group continues to have no late payments from any of its customers and it is intended that all deferred lease payments will be repaid in full by year end.

Save for the above, as at the date of this report, there is no significant event subsequent to 31 December 2019 which would materially affect the Group's operating and financial performance.

35. RELATED PARTY TRANSACTIONS

Sichuan Development, the immediate holding company of the Company, is owned and controlled by the State Owned Assets Supervision and Administration Commission of Sichuan Province, which also controls a significant portion of the productive assets and entities in the Sichuan Province (collectively referred as the "state-owned enterprises").

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties, including Sichuan Development and its subsidiaries (the "Sichuan Development Group") but excluding other state-owned enterprises not under the Sichuan Development Group, during the year ended 31 December 2019 and nine months ended 31 December 2018 and balances as at 31 December 2019 and 2018 with related parties transactions.

During the year, the Group has the following related party transactions which are carried out in the normal course of the Group's business:

Name of related companies	Nature of related party relationship	Nature of transaction	2019 RMB	2018 RMB
成都国泰弘盛商业管理有限公司	Related company	Rental expense	865,677	280,656
四川弘展联行物业服务有限公司	Fellow subsidiary	Building management fee	221,435	26,932
四川超越蜀景园林绿化工程有限责任公司	Fellow subsidiary	Rental expense	42,548	-
Sichuan Development Holding Company Limited	Immediate holding company	Interest income	11,845,999	53,240

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place/Country of incorporation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion ownership interest held by the company		Proportion of voting power held by the Company		Principal activities
				2019 Direct/ Indirect	2018 Direct/ Indirect	2019	2018	
Yieldking Investment Limited	BVI	Ordinary	US$1/US$1 (2018: US$1/US$1)	100%/ -	100%/ -	100%	100%	Financing services
四川怡展實業有限公司	PRC	Ordinary	RMB353million/ RMB353million (2018: RMB353million/ RMB353million)	99.49%/ -	99.49%/ -	99.49%	99.49%	Financing services
SDH Wings International Leasing Limited	Ireland	Ordinary	US$242 million/ US$300 million (2018: US$200/ US$200 million)	90%/ -	90%/ -	90%	90%	Investment holding
SDH Wings Leasing 1 Limited	Ireland	Ordinary	US$100/ US$60 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 2 Limited	Ireland	Ordinary	US$100/ US$40 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 3 Limited	Ireland	Ordinary	US$100/ US$20 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 4 Limited	Ireland	Ordinary	US$100/ US$20 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 5 Limited	Ireland	Ordinary	US$100/ US$40 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion ownership interest held by the company		Proportion of voting power held by the Company		Principal activities
				2019 Direct/ Indirect	2018 Direct/ Indirect	2019	2018	
SDH Wings Leasing 6 Limited	Ireland	Ordinary	US$100/ US$40 million (2018: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 7 Limited	Ireland	Ordinary	US$100/ US$40 million (2018: nil/nil)	- /90%	N/A*	90%	N/A*	Aircraft chartering
SDH Wings Leasing 8 Limited	Ireland	Ordinary	US$100/ US$20 million (2018: nil/nil)	- /90%	N/A**	90%	N/A**	Aircraft chartering
國翔（成都）企業管理服務有限公司	PRC	Ordinary	RMB8million/ RMB30million (2018: RMB8million/ RMB30million)	- /90%	- /90%	90%	90%	Aircraft chartering
國翔展遠（天津）飛機租賃有限公司	PRC	Ordinary	US$0.3 million/ US$80 million (2018: US$ Nil/ US$80 million)	- /90%	- /90%	90%	90%	Aircraft chartering
國翔展遠一（天津）租賃有限公司	PRC	Ordinary	RMB 0.5 million/ RMB0.5million (2018: RMB Nil/ RMB0.1million)	- /90%	- /90%	90%	90%	Aircraft chartering

* The subsidiary incorporated on 1 April 2019
** The subsidiary incorporated on 22 November 2019

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2019 RMB	2018 RMB
Non-current asset			
Investment in subsidiaries	36	1,909,859,831	1,486,692,176
Interest in an associate		413,373,260	371,673,679
		2,323,233,091	1,858,365,855
Current assets			
Other receivables		15,522,931	23,063,377
Amount due from a subsidiary		10,880,448	13,440,529
Bank balances and cash		333,949,743	15,903,517
Bank term deposits		2,367,053,311	3,129,619,200
		2,727,406,433	3,182,026,623
Current liabilities			
Interest payables		35,005,234	33,065,581
Other payables		482,651	39,286,255
Tax payable		664,694	-
		36,152,579	72,351,836
Net current assets		2,691,253,854	3,109,674,787
Total assets less current liabilities		5,014,486,945	4,968,040,642
Non-current liabilities			
Loan from a subsidiary		3,488,100,000	3,431,600,000
Net assets		1,526,386,945	1,536,440,642

The amounts due from a subsidiary are unsecured, interest free and with no fixed repayment terms.

The loan from a subsidiary are unsecured, carrying interest at 4.9% per annum and repayable on 2021.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	2019 RMB	2018 RMB
Capital and reserves			
Share capital		1,492,548,060	1,492,548,060
Reserves	(a)	33,838,885	43,892,582
		1,526,386,945	1,536,440,642

Approved and authorised for issue by the board of directors on 3 June 2020 and are signed on its behalf by:

Mr. Xiong Huiran, Director

Ms. Wang Lu, Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) The movements in the reserves of the Company during the reporting period are:

	Exchange reserve	Accumulated losses	Total
	RMB	RMB	RMB
As at 1 January 2018	-	(10,857,364)	(10,857,364)
Loss and total comprehensive income for the year	63,423,738	(8,673,792)	54,749,946
As at 31 December 2018	63,423,738	(19,531,156)	43,892,582
Loss and total comprehensive expense for the year	24,903,185	(34,956,882)	(10,053,697)
As at 31 December 2019	88,326,923	(54,488,038)	33,838,885

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

				Non-cash changes			
	1/1/2019	Financing cash flows	Finance cost	New lease arrangement	Fair value change	Foreign exchange movement	31/12/2019
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Long term loan payables	2,312,017,096	689,500,323	126,908,614	-	-	42,081,692	3,170,507,725
Guaranteed bonds	3,425,174,471	(165,564,000)	167,798,634	-	-	56,419,375	3,483,828,480
Derivative financial liabilities	-	(7,618,000)	7,618,000	-	112,549,008	-	112,549,008
Lease liabilities	-	(926,119)	151,813	3,919,230	-	-	3,144,924
	5,775,997,160	515,392,204	302,477,061	3,919,230	112,549,008	102,841,090	6,813,175,753

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

			Non-cash changes		
	1/1/2018	Financing cash flows	Finance cost	Foreign exchange movement	31/12/2018
	RMB	RMB	RMB	RMB	RMB
Long term loan payables	793,078,841	1,385,195,259	76,080,679	57,662,317	2,312,017,096
Guaranteed bonds	-	3,269,883,917	32,620,679	122,669,875	3,425,174,471
Dividend payable	11,482,201	(11,628,404)	-	146,203	-
	806,710,474	4,643,450,772	108,701,358	217,134,556	5,775,997,160

39. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31 December 2019, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB3,919,230 were recognised at the commencement of the leases.

(b) During the year ended 31 December 2019, the Group entered into several new aircraft leases. Lease incentive assets and lessor contribution of RMB9,467,845 (2018: RMB11,848,512) were recognised at the commencement of the leases.

40. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 using full retrospective method. Under this approach, comparative information has been restated. Further details of the changes in accounting policies are discoed in note 2.

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of Sichuan Development International Holding Company Limited (the "Company") and its subsidiaries (thereinafter collectively referred to as the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the provision of financing services and aircraft chartering business.

RESULTS AND APPOPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 6.

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period.

SHARES ISSUED IN THE YEAR

Details of share capital of the Company and movement during the year are set out in note 25 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the period and up to the date of this report are:

Mr. Xiong Huiran
Mr. Lu Chibin
Ms. Wang Lu

In accordance with Article 13 of the Company's Articles of Association, all directors continue their office for the ensuring year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its fellow subsidiaries was a party, and in which a director of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

DIRECTORS' BENEFITS FROM RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial period and up to the date of this directors' report was or is there any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of Sichuan Development Holding Company Limited ("Sichuan Development"), a state-owned limited liability enterprise set up by the Sichuan Provincial People's Government of the People's Republic of China (the "PRC") with a registered capital of RMB80 billion. Sichuan Development is principally engaged in the provision of financing services and asset management. On 18 October 2018, the Group issued Guaranteed Bonds of USD500,000,000 listed on The Stock Exchange of Hong Kong Limited to finance the entities held by Sichuan Development. On 27 April 2018 and 14 August 2018, Sichuan Development injected an additional USD36,000,000 and USD54,000,000 (equivalent to RMB227,818,800 and RMB370,596,600) respectively as share capital of the Company.

During the year ended 31 December 2017, the Group generated interest income of RMB14,470,261 (2018: nil) from the provision of financing services. The Group purchased eight additional aircraft, bringing the total in Group ownership to twelve aircraft as at 31 December 2018 which are all currently on lease. The leases are contracted to expire between 2021 and 2030. Funding for the purchase of the aircraft was secured by equity and debt.

As at 31 December 2018, the Group's gearing ratio was 348% compared to 84% as at 31 December 2017 which is calculated based on the Group's total borrowings of approximately RMB5,737,191,567 (2017: RMB793,078,841) and the Group's total equity of approximately RMB1,649,920,026 (2017: RMB941,232,069).

The major risks faced by the Group are (i) the risk of economic downturn in the PRC; (ii) the change in the PRC's foreign currency policy and tax regulation and (iii) the lessee's credit risk and the asset risk of the aircrafts and engines during and after the transaction. The Group pays close attention to the above risks and continuously monitors, identifies and assesses the impact of such risks regularly and adopts necessary measures to manage the risks. The directors of the Company are not aware of any significant events effecting the Group that have occurred since the end of the reporting period nor any significant future development in the Group's business.

No significant environmental impact was generated by the Group's operations.

The directors of the Company are not aware of any non-compliance with the relevant laws and regulation that have a significant impact on the Group.

AUDITOR

The consolidated financial statements of the Company for the year have been audited by SHINEWING (HK) CPA Limited, who retire, and being eligible, offer themselves for re-appointment.

On behalf of the board

熊輝蘭

Xiong Huiran, Director
Chengdu, Sichuan, PRC
25 June 2019

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Sichuan Development International Holding Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 6 to 76, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Responsibilities of Directors of the Company for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 who are responsible for overseeing the Group's financial reporting process 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
25 June 2019

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Revenue	7	193,350,303	45,662,612
Cost of revenue		(81,295,004)	(24,290,509)
Gross profit		112,055,299	21,372,103
Other income and gains	9	35,049,326	7,957,613
Share of profit of an associate		9,699,210	-
Unrealised (loss) gain on other financial assets at fair value through profit or loss ("FVTPL")		(21,300,000)	12,600,000
Administrative and operating expenses		(45,086,673)	(16,703,588)
Finance costs	10	(108,701,358)	(30,018,256)
Loss before tax	11	(18,284,196)	(4,792,128)
Income tax expense	12	(4,318,284)	(1,080,130)
Loss for the year / period		(22,602,480)	(5,872,258)
(Loss) profit for the year / period attributable to:			
- Owners of the Company		(24,299,335)	(6,055,269)
- Non-controlling interests		1,696,855	183,011
		(22,602,480)	(5,872,258)
Other comprehensive income (expense) for the year / period:			
Items that may be reclassified into profit or loss			
Exchange differences on translation of foreign operations		50,157,537	(12,738,327)
Total comprehensive income (expense) for the year / period		27,555,057	(18,610,585)
Total comprehensive income (expense) for the year / period attributable to:			
- Owners of the Company		20,320,627	(17,519,768)
- Non-controlling interests		7,234,430	(1,090,817)
		27,555,057	(18,610,585)

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 RMB	2017 RMB
Non-current assets			
Plant and equipment	13	3,398,105,133	1,030,598,868
Prepayment for plant and equipment		6,863,200	-
Maintenance intangible assets	14	137,122,666	91,113,158
Interest in an associate	15	371,673,679	-
Deferred tax assets	23	1,255,533	-
		3,915,020,211	1,121,712,026
Current assets			
Trade and other receivables	16	34,133,692	3,580,842
Amount due from immediate holding company	17	187,788,951	6,079,327
Amount due from a non-controlling interest	17	14,755,880	-
Tax recoverable		24,530	-
Other financial assets	18	158,471,493	72,600,000
Bank balances and cash	19	90,607,205	442,161,738
Bank term deposits	19	3,129,619,200	166,580,806
		3,615,400,951	691,002,713
Current liabilities			
Interest payables		38,805,593	2,149,432
Other payables	20	88,549,837	50,961,261
Tax payable		-	28,459
Dividend payable		-	11,482,201
Amount due to a related company	17	307,588	-
Current portion of long term borrowings	22	174,349,706	59,894,824
		302,012,724	124,516,177
Net current assets		3,313,388,227	566,486,536
Total assets less current liabilities		7,228,408,438	1,688,198,562
Non-current liabilities			
Guaranteed bonds	21	3,425,174,471	-
Long term borrowings	22	2,137,667,390	733,184,017
Deferred tax liabilities	23	4,500,310	341,438
Maintenance intangible liabilities	14	1,053,645	1,003,135
Maintenance reserves	24	10,092,596	12,437,903
		5,578,488,412	746,966,493
Net assets		1,649,920,026	941,232,069

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

(Continued)

	Note	2018 RMB	2017 RMB
Capital and reserves			
Share capital	25	1,492,548,060	894,132,660
Reserves		11,970,226	(8,350,401)
Equity attributable to owners of the Company		1,504,518,286	885,782,259
Non-controlling interests		145,401,740	55,449,810
Total equity		1,649,920,026	941,232,069

The consolidated financial statements on pages 6 to 76 were approved and authorised for issue by the board of directors on 25 June 2019 and are signed on its behalf by:

Mr. Lu Chibin, Director

熊輝然

Mr. Xiong Huiran, Director

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the owners of the Company							
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Retained profits (accumulated losses)	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB
As at 1 April 2017	300,951,660	105,961	-	5,820,575	3,242,831	310,121,027	6,249,357	316,370,384
Loss for the period	-	-	-	-	(6,055,269)	(6,055,269)	183,011	(5,872,258)
Exchange differences on translation of foreign operations	-	-	(11,464,499)	-	-	(11,464,499)	(1,273,828)	(12,738,327)
Total comprehensive expense for the period	-	-	(11,464,499)	-	(6,055,269)	(17,519,768)	(1,090,817)	(18,610,585)
Issue of new shares	593,181,000	-	-	-	-	593,181,000	-	593,181,000
Transfer to statutory reserves	-	-	-	1,785,484	(1,785,484)	-	-	-
Capital contribution by a non-controlling interest	-	-	-	-	-	-	50,291,270	50,291,270
As at 31 December 2017	894,132,660	105,961	(11,464,499)	7,606,059	(4,597,922)	885,782,259	55,449,810	941,232,069

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the owners of the Company							
	Share Capital	Capital reserve	Exchange reserve	Statutory Reserve	Retained profits (accumulated losses)	Total	Non-controlling interest	Total
	RMB	RMB (Note i)	RMB	RMB (Note ii)	RMB	RMB	RMB	RMB
As at 1 January 2018	894,132,660	105,961	(11,464,499)	7,606,059	(4,597,922)	885,782,259	55,449,810	941,232,069
Loss for the year	-	-	-	-	(24,299,335)	(24,299,335)	1,696,855	(22,602,480)
Exchange differences on translation of foreign operations	-	-	44,619,962	-	-	44,619,962	5,537,575	50,157,537
Total comprehensive expense for the year	-	-	44,619,962	-	(24,299,335)	20,320,627	7,234,430	27,555,057
Issue of new shares	598,415,400	-	-	-	-	598,415,400	-	598,415,400
Capital contribution by a non-controlling interest	-	-	-	-	-	-	82,717,500	82,717,500
As at 31 December 2018	1,492,548,060	105,961	33,155,463	7,606,059	(28,897,257)	1,504,518,286	145,401,740	1,649,920,026

Notes:

i. Capital reserve represented contributions made in excess of the paid up capital by the previous shareholders of a subsidiary.

ii. The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
OPERATING ACTIVITIES		
Loss before tax	(18,284,196)	(4,792,128)
Adjustments for:		
Bank interest income	(25,851,377)	(5,187,756)
Share of profit of an associate	(9,699,210)	-
Depreciation of plant and equipment	81,552,407	13,836,278
Amortisation of intangible assets	3,239,158	-
Unrealised loss (gain) on other financial assets at FVTPL	21,300,000	(12,600,000)
Gain on disposal of other financial assets at amortised cost	(2,520,820)	(2,469,920)
Interest income from other financial assets at amortised cost	(161,204)	-
Loss on written off of plant and equipment	25,360	-
Finance costs	108,701,358	40,667,070
Operating cash flows before movements in working capital	158,301,476	29,453,544
Decrease in loan receivables	-	970,000,000
Decrease in interest receivables	(16,094)	2,369,117
Increase in trade and other receivables	(27,041,103)	(3,241,002)
Increase in other financial assets at FVTPL	-	(356,000,000)
Increase in other payables	32,077,225	11,227,386
Decrease in maintenance reserve	(2,865,136)	-
Cash generated in operations	160,456,368	653,809,045
Tax paid	(1,494,202)	(7,035,177)
Tax refunded	-	2,066,007
NET CASH FROM OPERATING ACTIVITIES	158,962,166	648,839,875
INVESTING ACTIVITIES		
Bank interest received	25,851,377	5,187,756
Placement of term deposits	(2,965,770,125)	-
Acquisition of plant and equipment	(2,258,702,855)	(1,027,779,296)
Acquisition of intangible asset	(98,766,508)	(89,356,209)
Acquisition of interest in an associate	(348,663,276)	(60,000,000)
Prepayment for plant and equipment	(6,863,200)	-
Purchase of other financial assets at amortised cost	(297,000,000)	-
Proceeds from disposal of other financial assets at amortised cost	192,520,820	358,469,920
Advance to immediate holding company	(187,788,951)	(2,923,767)
Repayment from immediate holding company	6,079,327	-
NET CASH USED IN INVESTING ACTIVITIES	(5,939,103,391)	(816,401,596)

SICHUAN DEVELOPMENT INTERNATIONAL HOLDING COMPANY LIMITED
四川發展國際控股有限公司

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Continued)

	Note	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
FINANCING ACTIVITIES			
New long term borrowing raised		1,565,213,622	836,758,837
New guaranteed bond raised		3,302,082,554	-
Issue of shares		598,415,400	593,181,000
Advance from immediate holding company		-	400,000,000
Capital injection by a non-controlling interest		68,014,467	50,291,270
Repayment of guaranteed bonds		-	(1,000,000,000)
Repayment to immediate holding company		-	(400,000,000)
Repayment of bank borrowing		(106,658,108)	(14,335,061)
Repayment from non-controlling interest		-	69
Dividend paid		(11,628,404)	(47,052)
Interest paid		(105,558,892)	(55,536,299)
NET CASH FROM FINANCING ACTIVITIES		5,309,880,639	410,312,764
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(470,260,586)	242,751,043
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR / PERIOD		608,742,544	371,897,614
Effect of foreign exchange rate changes		(6,695,553)	(5,906,113)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR / PERIOD		131,786,405	608,742,544
Analysis of Components of Cash and Cash Equivalents:			
Bank balances and cash	19	90,607,205	442,161,738
Bank term deposits (less than 3 months)	19	41,179,200	166,580,806
		131,786,405	608,742,544

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Sichuan Development International Holding Company Limited (the "Company") was incorporated in Hong Kong on 3 January 2001 with limited liability under the Hong Kong Companies Ordinance. The address of its registered office is 6/F, Alexandra House, 18 Charter Road, Central, Hong Kong and principal place of business is Room 1501, 15/F, Fortress Tower, 250 King's Road, North Point, Hong Kong. The principal activities of the Company and its subsidiaries are the provision financing services and aircraft chartering business.

The immediate holding company of the Company is Sichuan Development Holding Company Limited ("Sichuan Development"). The directors of the Company consider the ultimate holding party of the Company to be the State Owned Assets Supervision and Administration Commission of Sichuan Province.

During the prior financial period, the reporting period end date of the Group was changed from 31 March to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with most of its operating subsidiaries. Accordingly, the consolidated financial statements for the prior period cover the nine months period ended 31 December 2017. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a nine months period from 1 April 2017 to 31 December 2017 and therefore may not be comparable with amounts shown for the current period.

Prior to 1 January 2018, Renminbi ("RMB") was regarded as the functional and presentation currencies of the Company. The directors of the Company considered that it is more appropriate to use United State Dollar ("USD") as the functional currency since Yieldking Investment Limited ("Yieldking"), a subsidiary, has issued a USD500,000,000 guaranteed bond in USD during the year and the primary economic environment in which the Company and Yieldking operate changed. The presentation currency of the consolidated financial statement remain unchanged in RMB be in line with the holding group presentation currency. Other than the direct subsidiary incorporated in PRC, whose functional currency is RMB, the functional currency of the Company and other subsidiaries is in USD.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS") and HK(IFRIC) Interpretation ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The transition of HKFRS 15 has no impact on the retained earnings at 1 January 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

Debt investments previously classified as loan and receivables carried at amortised cost:

Some of the debt investments (including trade and other receivables, amount due from immediate holding company, bank balances and bank term deposits) amounting to RMB617,892,601 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these items continue to be subsequently measured at amortised cost and were reclassified to financial assets at amortised cost upon adoption of HKFRS 9.

Financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other items subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

Based on the assessment by the directors, the new impairment requirements have not resulted in any material impact to the loss allowance for ECL on the Group's financial assets on initial application of HKFRS 9.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group disclosure in note and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39) RMB	Impact on adoption of HKFRS 9 – Reclassification RMB	Impact on adoption of HKFRS 9 – Remeasurement RMB	Carrying amount under HKFRS 9 as restated at 1 January 2018* RMB
Financial assets				
Loan and receivables				
- Trade and other receivables	3,070,730	(3,070,730)	-	-
- Amount due from immediately holding company	6,079,327	(6,079,327)	-	-
- Cash and bank balances	608,742,544	(608,742,544)	-	-
Financial assets at fair value through profit or loss ("FVPTL")				
- Listed equity securities	72,600,000	-	-	72,600,000
At amortised cost				
- Trade and other receivables	-	3,070,730	-	3,070,730
- Amount due from immediately holding company	-	6,079,327	-	6,079,327
- Cash and bank balances	-	608,742,544	-	608,742,544

* The amount in this column is before the adjustment from the adoption of HKFRS 15.

Note:
Financial assets which the Group had previously classified as loan and receivables under HKAS 39 were subject to reclassify as at amortised cost upon the application of HKFRS 9 as all financial assets passed the contractual cash flow test and with the business model objective to hold to collect contractual cash flows.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial instruments (Continued)

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. At the date of initial application of HKFRS 9, the Group has elected RMB72,600,000 of financial assets to designate as at FVTPL and no financial liabilities which the Group has elected to designate as at FVTPL

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that, except as described below, the application of other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As at 31 December 2018, the directors of the Company expect that the adoption of HKFRS 16 has no impact on the Group's result.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest in an associate (Continued)

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

Operating lease income is recognised on a straight-line basis over the period of each charter.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in profit or loss in the period in which the item is derecognised.

Maintenance intangible assets / liabilities

Maintenance intangibles associated with the acquisition of aircraft with in-place leases represent the difference in value between the contractual right to receive an aircraft in a specified maintenance condition on redelivery and the maintenance condition on the acquisition date. Maintenance intangible assets exist if on the acquisition date, the maintenance condition of the aircraft is worse than the expected maintenance condition on redelivery. A maintenance intangible liability exists if on the acquisition date, the maintenance condition is better than expected redelivery condition and the lessor has agreed to compensate the lessee for the enhanced maintenance condition on redelivery.

When the Group has recorded maintenance intangible assets, the following subsequent accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment to the Group by the lessee, the maintenance intangible asset is released and an aircraft improvement is recorded to the extent the improvement is substantiated and deemed to meet the Group's capitalisation policy; (ii) the lessee pays the Group cash compensation at lease expiry in excess of the value of the maintenance intangible asset, the maintenance intangible asset is relieved and any excess is recognised as end of lease income consistent with the Group's existing policy; or (iii) the lessee pays the Group cash compensation at lease expiry that is less than the value of the maintenance intangible asset, the cash is applied to the maintenance intangible asset and the balance of such asset is relieved and recorded as an aircraft improvement to the extent the improvement is substantiated and meets the Group's capitalisation policy. Any aircraft improvement will be depreciated in accordance with the Group's depreciation policy. When the Group has recorded maintenance intangible liabilities, the following subsequent accounting scenarios exist: (i) the aircraft is returned at lease expiry in the contractually specified maintenance condition without any cash payment by the Group to the lessee, the maintenance intangible liability is relieved and end of lease income is recognised; (ii) the Group pays the lessee cash compensation at lease expiry of less than the value of the maintenance intangible liability, the maintenance intangible liability is relieved and any difference is recognised as end of lease income; or (iii) the Group pays the lessee cash compensation at lease expiry in excess of the value of the maintenance right liability, the maintenance right liability is relieved and the excess amount is recorded as an aircraft improvement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Maintenance reserves

The cost of aircraft maintenance, repairs, overhauls and compliance with return conditions for aircraft on operating lease are paid for by the lessee. For major airframe, engine and other maintenance events, the lessee will be required to make a maintenance contribution payment to the lessor. Certain lease agreements require the lessee to make the maintenance contribution payments on a monthly basis while other leases require the lessee to make the maintenance contribution payment in the form of a return compensation payment at the end of the lease. Upon receipt by the Group, these monthly and end of lease maintenance payments are accounted for as maintenance reserve liabilities because the Group generally reimburses the lessee or a subsequent lessee out of the payments the Group received when the Group is satisfied that the qualifying major maintenance event has been performed. Upon expiry of a lease, any shortfall that is identified in the maintenance reserve liabilities for an aircraft as compared to the expected future reimbursement obligations to a lessee, or any surplus, will be charged or released to profit or loss. Upon sale of an aircraft, the maintenance reserve liability for that aircraft which is not transferred to the buyer will be released to profit or loss. If a lease requires the lessee to pay return compensation payments at the end of the lease, certain lessees are required to secure all or a portion of that obligation by a cash deposit or letter of credit. In some cases, the monthly maintenance payments or end of lease return compensation payments may be replaced by commitments from a third party, typically the original equipment manufacturer or an affiliate, which is providing flight hour-based support to the lessee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period/ year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/ year. Taxable profit differs from profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary difference. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary difference can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 9).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other income and gains' line item. Fair value is determined in the manner described in note 6(c).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes 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. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) 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. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the 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 into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value though profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying value on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL of the Group are designated as at FVTPL on initial recognition. A financial asset may be designated as at FVTPL upon intial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 6(c).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivables, loan interest receivables, other receivables, amount due from immediate holding company/ a non-controlling interest, and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset such as loan receivables, loan interest receivables and other receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past due and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivables and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When loan receivables and other receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified as other financial liabilities.

Other financial liabilities including interest payables, other payables, guaranteed bonds and long term borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Derecognition (Continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 –	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 –	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Impairment losses on tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful life and impairment of plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of plant and equipment. The impairment loss for plant and equipment was recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, use of estimate such as the future revenue and discount rates is required. The carrying amount of plant and equipment as at 31 December 2018 is RMB3,398,105,133 (2017: RMB1,030,598,868). No impairment loss on plant and equipment was recognised for both years.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of maintenance intangible asset

Determining whether maintenance intangible asset is impaired requires an estimation of the value-in-use of the intangible asset. The value-in-use calculation requires the management of the management of the Group ("Management") to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying amount of maintenance intangible asset are approximately RMB137,122,666 (2017: RMB91,113,158) No impairment loss on maintenance intangible asset was recognised for both years.

Impairment of interest in an associate

During the year ended 31 December 2018, the Group invested in an associate which the principal activities of the associate is production and sales of processed fruit products and trading of fresh food. The Management performed an impairment test using valuation model to estimate the recoverable amount of the investment. The estimation was based on certain assumptions which are subject to uncertainty and might differ from the actual result. The Management considered that no impairment loss should be provided on abovementioned interest in an associate.

As at 31 December 2018, the carrying amount of interest in associate is RMB371,673,679 (2017: nil). No impairment loss has been recognised during the year ended 31 December 2018. Details are disclosed in Note 15.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes guaranteed bonds, long term borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt.

6. FINANCIAL INSTRUMENTS (Continued)

(a) Categories of financial instruments

	2018 RMB	2017 RMB
Financial assets		
Financial assets at amortised cost / loans and receivables (including bank balances and cash)	3,560,409,794	617,892,601
Financial assets at FVTPL	51,300,000	72,600,000
Financial liabilities		
Financial liabilities at amortised cost	5,848,362,063	850,360,507

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from immediate holding company, financial assets at FVTPL, financial assets at amortised cost, bank balances and cash and bank term deposits, interest payables, other payables, guaranteed bonds and long term borrowings. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations. However, certain bank balances as at 31 December 2018 and 2017 are denominated in currencies other than the functional currencies of the respective group entities which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting date are as follows:

	2018 RMB	2017 RMB
HK$	4,174,340	2,506,062
USD	-	167,086,425
RMB	11,293,783	7,749,584

The Group entities are mainly exposed to the fluctuation of HK$, USD and RMB.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity analysis to a 5% (2017: 5%) increase and decrease in the respective reporting entity's functional currency against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entities strengthening 5% (2017: 5%) against the relevant foreign currency. For a 5% (2017: 5%) weakening of respective functional currencies of the reporting entities against the relevant foreign currency, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

	HK$		USD		RMB	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB	2018 RMB	2017 RMB
Profit or loss	(174,279)	(93,977)	-	(6,265,741)	(488,590)	(339,044)

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its loan receivables, bank balances, guaranteed bonds and long term borrowings. Bank balances and long term borrowings at variable rates expose the Group to cash flow interest-rate risk, while loan receivable, guaranteed bonds and long term borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's bank balances, guaranteed bonds and long term borrowings at their respective interest rates as at 31 December 2018 and 2017 are set out as below:

	As at 31 December 2018		As at 31 December 2017	
	Interest rate	RMB	Interest rate	RMB
Fixed rate guaranteed bonds	4.8% p.a.	3,425,174,471	N/A	-
Fixed rate time deposit	1.20% to 3.92% p.a.	3,129,619,200	1.7% p.a.	166,580,806
Variable rate bank balances	0% to 0.35% p.a.	90,601,380	0% to 0.35% p.a.	442,152,098
Fixed rate long term borrowings	3.95% to 4.90% p.a.	2,154,274,698	3.95% to 4.2% p.a.	793,078,841
Variable rate long term borrowings	4.17% p.a.	157,742,398	N/A	-

Sensitivity analysis

For variable rate bank balances and long term borrowings, if the interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's loss (2017: profit) after tax and retained profits would increase/decrease (year ended 31 March 2018: increase/decrease) by approximately RMB301,829 (2017: RMB1,803,997).

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is eposed to equity price risk through its investments in listed equity securities. The Group has appointing a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2017: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2018 would increase/decrease by RMB5,130,000 (nine months ended: 2017: RMB7,260,000) as a result of the changes in fair value of held-for-trading investments which have been impaired.

Credit risk

As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents, trade and other receivables and amount due from immediate holding company. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Company has policies in place to ensure that loans are only made to entities controlled by the immediate holding company debtors with appropriate credit history. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit quality of counterparty in respect of trade and other receivables are assessed by taking into account its consolidated financial position and other factors. The directors of the Company are of the opinion that the risk of default by the counterparty is low.

The credit risk on liquid funds and financial assets at amortised cost is limited because the counterparties are banks with high credit ratings assigned by authorised credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. The table includes both interest and principal cash flows.

	On demand or less than 1 year	1 - 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	RMB	RMB		RMB	RMB
As at 31 December 2018					
Non-derivative financial liabilities:					
Other payables	72,057,312	-	-	72,057,312	72,057,315
Interest payable	38,805,593	-	-	38,805,593	38,805,593
Amount due from a related company	307,588	-	-	307,588	307,588
Long term borrowing					
- Fixed rate	157,162,047	872,926,945	1,780,929,624	2,811,018,616	2,154,274,696
- Variable rate	17,187,659	157,222,839	-	174,410,498	157,742,400
Guaranteed bonds	-	3,431,600,000	-	3,431,600,000	3,425,174,471
	285,520,199	4,461,749,784	1,780,929,624	6,528,199,607	5,848,362,063
As at 31 December 2017					
Non-derivative financial liabilities:					
Interest payable	43,650,033	-	-	43,650,033	43,650,033
Other payables	2,149,432	-	-	2,149,432	2,149,432
Long term borrowing					
- Fixed rate	59,894,824	1,144,421,708	-	1,204,316,532	793,078,841
Dividend payable	11,482,201	-	-	11,482,201	11,482,201
	117,176,490	1,144,421,708	-	1,261,598,198	850,360,507

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements recognised in the consolidated statement of financial position

The following provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2018 Level 1 RMB	2017 Level 1 RMB
Financial assets as FVTPL		
Listed equity shares in the PRC	51,300,000	72,600,000

There were no transfers between the levels of fair value hierarchy in the current year and prior years.

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31/12/2018 RMB	31/12/2017 RMB	RMB
Listed equity shares in the PRC	Level 1	51,300,000	72,600,000	Quoted bid prices in an active market

7. REVENUE

Revenue represents revenue arising on provision of financing services and aircraft chartering business. An analysis of the Group's revenue for the year / period is as follows:

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Revenue from source other than contract with customers		
Loan interest income	-	14,470,261
Rental of aircraft to airline operators	193,350,303	31,192,351
	193,350,303	45,662,612

8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers ("CODM", ie. the directors of the Company) in order to allocate resources to the segments and to assess their performance. Relevant information was reported to the CODM, for the purposes of resource allocation and assessment of segment performance, focusing on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

1. Provision of financing services – Loan financing services
2. Aircraft chartering business – Rental of aircraft to airline operators

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Year ended 31 December 2018

	Provision of financing services RMB	Aircraft chartering business RMB	Total RMB
Revenue from external customers	-	193,350,303	193,350,303
Segment profit	-	22,984,507	22,984,507
Other income and gains			33,028,630
Share of profit of an associate			9,699,210
Unrealised loss on other financial assets at FVTPL			(21,300,000)
Finance costs			(34,325,025)
Central administrative costs			(28,371,518)
Loss before taxation			(18,284,196)

Note: Although the financing services was only provided within the Group during the reporting period, the Group would continue to provide financing services to external customers in future. Therefore, the management considered the provision of financing services segment as a continuing operation.

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Nine months ended 31 December 2017

	Provision of financing services RMB	Aircraft chartering business RMB	Total RMB
Revenue from external customers	14,470,261	31,192,351	45,662,612
Segment profit	3,821,447	1,531,431	5,352,878
Other income and gains			7,957,613
Unrealised gain on other financial assets at FVTPL			12,600,000
Finance costs			(18,469,309)
Central administrative costs			(12,233,310)
Loss before taxation			(4,792,128)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income and gains, unrealised (loss) gain on other financial asset at FVTPL, share of profit of an associate, central administration costs and central finance costs. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment.

	31 December 2018 RMB	31 December 2017 RMB
Segment assets		
Provision of financing services	-	-
Aircraft chartering business	3,567,145,400	1,125,357,109
Total segment assets	3,567,145,400	1,125,357,109
Unallocated	3,963,275,762	687,357,630
Consolidated assets	7,530,421,162	1,812,714,739
Segment liabilities		
Provision of financing services	-	28,459
Aircraft chartering business	2,371,920,925	852,767,613
Total segment liabilities	2,371,920,925	852,796,072
Unallocated	3,508,580,211	18,686,598
Consolidated liabilities	5,880,501,136	871,482,670

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable segments other than unallocated assets (mainly comprising other financial assets, amount due from immediate holding company, interest in an associate, tax recoverable, certain other receivables and prepayments, certain plant and equipment, bank balances and cash and bank term deposits).

- All liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising deferred tax liabilities, dividend payable, amount due to a related company, certain interest payables and certain other payables). During the year, the Group had guaranteed bonds with aggregate principal of USD500,000,000 (equivalent to RMB3,308,700,000) included in unallocated liabilities as management considered that the funds do not have specific propose of use. The carrying amount of the guaranteed bonds was RMB3,425,174,471 as at 31 December 2018

8. SEGMENT INFORMATION (Continued)

Other segment information

Year ended 31 December 2018	Provision of financing services RMB	Aircraft chartering business RMB	Unallocated RMB	Total RMB
Amounts included in the measure of segment profit or loss of segment assets:				
Additions to non-current assets (Note)	-	2,320,911,541	371,917,119	2,692,828,660
Additions to intangible assets	-	98,766,508	-	98,766,508
Depreciation of plant and equipment	-	81,295,003	257,404	81,552,407
Amortisation of intangible assets	-	3,239,158	-	3,239,158
Loss on written off of plant and equipment	-	-	25,360	25,360
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:				
Interest in an associate	-	-	371,673,679	371,673,679
Share of profit of an associate	-	-	9,699,210	9,699,210
Bank interest income	-	-	25,851,377	25,851,377
Unrealised loss on other financial assets at FVTPL	-	-	21,300,000	21,300,000
Gain on disposal of other financial assets at amortised cost	-	-	2,520,820	2,520,820
Interest income on other financial assets at amortised cost			161,204	161,204
Finance costs	-	-	34,325,025	34,325,025
Income tax expense	-	-	4,318,284	4,318,284

Note: Non-current assets excluded intangible assets and deferred tax assets.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Nine months ended 31 December 2017	Provision of financing services RMB	Aircraft chartering business RMB	Unallocated RMB	Total RMB
Amounts included in the measure of segment profit or loss of segment assets:				
Additions to non-current assets	-	1,069,678,100	56,721	1,069,734,821
Additions to intangible assets	-	93,424,615	-	93,424,615
Depreciation of plant and equipment	-	13,641,695	194,583	13,836,278
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss of segment assets:				
Bank interest income	-	-	5,187,756	5,187,756
Unrealised gain on other financial assets at FVTPL	-	-	12,600,000	12,600,000
Gain on disposal of other financial assets at amortised cost	-	-	2,469,920	2,469,920
Finance costs	-	-	18,469,309	18,469,309
Income tax expense	-	-	1,080,130	1,080,130

Geographical information

The Group's operations are located in the PRC and Republic of Ireland ("Ireland").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue generated from		Non-current assets	
	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB	2018 RMB	2017 RMB
The PRC	-	14,470,261	372,297,303	662,948
Ireland	193,350,303	31,192,351	3,541,467,375	1,121,049,078
	193,350,303	45,662,612	3,913,764,678	1,121,712,026

8. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding year / period contributing over 10% of the total revenues of the Group is as follows:

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Customer A[1]	N/A[3]	10,547,432
Customer B[2]	65,930,380	22,945,052
Customer C[2]	25,718,492	6,850,506
Customer D[2]	24,142,982	N/A
Customer E[2]	21,978,033	N/A

[1] Revenue from provision of financing services segment.
[2] Revenue from aircraft chartering business segment.
[3] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAINS

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Bank interest income	25,851,377	5,187,756
Exchange gain, net	4,642,780	-
Gain on disposal of financial assets at amortised cost (Note (a))	2,520,820	2,469,920
Interest income on financial assets at amortised cost (Note (a))	161,204	-
Government grant (Note (b))	1,780,320	-
Sundry income	92,825	299,937
	35,049,326	7,957,613

Notes:

(a) The Group purchased certain short term financial products during the year ended 31 December 2018 with an aggregate cost of RMB297,000,000 (nine months ended 31 December 2017: RMB356,000,000) and recorded a realised gain of RMB2,520,820 (nine months ended 31 December 2017: RMB2,469,920) on disposal of the financial products and an accrued interest income of RMB161,204 (nine months ended 31 December 2017: nil) for the financial products on hand.

9. OTHER INCOME AND GAINS (Continued)

Notes:

(b) Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the contribution to the local economic development. The government grants are one-off with no specific condition attached.

10. FINANCE COSTS

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Interest on long term borrowings	72,202,054	11,548,947
Interest on guaranteed bonds	32,620,679	18,255,109
Interest on loan from immediate holding company	-	10,863,014
Commitment fee	3,051,449	-
Loan agency fee	827,176	-
	108,701,358	40,667,070
Less:		
Finance costs included in cost of revenue	-	(10,648,814)
	108,701,358	30,018,256

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Staff costs and other benefits	13,107,232	5,670,703
Contributions to retirement benefit schemes	858,634	494,787
Total staff costs (including directors' emoluments)	13,965,866	6,615,490
Directors' emoluments (including the directors of the Company and directors of the Company's subsidiaries)	1,526,021	710,658
Depreciation of plant and equipment	81,552,407	13,836,278
Amortisation of intangible assets	3,239,158	-
Loss on written off on plant and equipment	25,360	-
Exchange (gain) losses, net (included in other income)	(4,642,780)	2,978,003

11. LOSS BEFORE TAX (Continued)

Remuneration for the directors of the Company during the year ended 31 December 2018 and nine months ended 31 December 2017 were paid by the Company's holding Company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

12. INCOME TAX EXPENSE

Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the nine months ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

No provisions for Hong Kong Profits Tax have been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2018 and nine months ended 31 December 2017.

Ireland Corporation Tax

Corporation tax in the Republic of Ireland is calculated at 12.5% of the estimated assessable profit for the year ended 31 December 2018 and nine months ended 31 December 2017. No provisions for corporation tax have been made as the Group did not have any assessable profits subject to corporation tax in the Ireland during both year / period.

Overseas income tax

Pursuant to the rules and regulations of the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the BVI.

PRC Enterprise Income Tax (the "EIT")

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries registered in the PRC is 25% for the year ended 31 December 2018 and nine months ended 31 December 2017.

Withholding tax

Withholding tax at a concessionary tax rate of 10% was levied on payments made to non-residents on passive income including the intra-group interest income received by the Company from its PRC subsidiary.

Withholding tax at a concessionary tax rate of 5% was levied on dividends relating to profits earned be the PRC entities that are owned by non-PRC entities within the Group.

12. INCOME TAX EXPENSE (Continued)

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Current tax:		
Withholding tax on interest income received from PRC subsidiaries	-	542,836
PRC Enterprise Income Tax	1,535,502	187,194
Deferred taxation (note 23)	2,782,782	350,100
	4,318,284	1,080,130

The income tax expense for the year / period can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follow:

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Loss before tax	(18,284,196)	(4,792,128)
Calculated at the rates applicable to profit in the tax jurisdictions concerned	(6,766,210)	245,463
Tax effect of income not taxable for tax purpose	(6,508,981)	(5,723,554)
Tax effect of expenses not deductible for tax purpose	13,303,303	5,355,020
Withholding tax on interest income received from PRC subsidiaries	-	542,836
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,445,220	-
Tax effect of tax loss not recognised	2,844,952	660,365
Income tax expense	4,318,284	1,080,130

13. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvement	Aircrafts	Total
	RMB	RMB	RMB	RMB	RMB
COST					
At 1 April 2017	487,878	702,368	84,534	-	1,274,780
Additions	56,721	-	-	1,069,678,100	1,069,734,821
Exchange realignment	(693)	-	-	(26,465,352)	(26,466,045)
At 31 December 2017	543,906	702,368	84,534	1,043,212,748	1,044,543,556
Additions	355,162	-	-	2,313,936,619	2,314,291,781
Written off	-	-	(84,534)	-	(84,534)
Exchange realignment	5,526	-	-	138,476,259	138,481,785
At 31 December 2018	904,594	702,368	-	3,495,625,626	3,497,232,588
ACCUMULATED DEPRECIATION					
At 1 April 2017	169,256	240,038	36,631	-	445,925
Charge for the period	76,274	105,628	12,681	13,641,695	13,836,278
Exchange realignment	-	-	-	(337,515)	(337,515)
At 31 December 2017	245,530	345,666	49,312	13,304,180	13,944,688
Charge for the year	119,251	140,837	9,862	81,282,457	81,552,407
Eliminated on written off	-	-	(59,174)	-	(59,174)
Exchange realignment	466	-	-	3,689,068	3,689,534
At 31 December 2018	365,247	486,503	-	98,275,705	99,127,455
CARRYING VALUES					
At 31 December 2018	539,347	215,865	-	3,397,349,921	3,398,105,133
At 31 December 2017	298,376	356,702	35,222	1,029,908,568	1,030,598,868

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives or at rates per annum as follows:

Furniture, fixtures and equipment	10% to 20%
Motor vehicles	20%
Leasehold improvement	Over the term of the lease or 20%, whichever is the shorter
Aircrafts	4% with a residual value of 15%

As at 31 December 2018, aircrafts with carrying values of RMB3,397,349,921 (2017: RMB1,029,908,568) were pledged to banks for bank borrowings.

14. MAINTENANCE INTANGIBLE ASSETS/ LIABILITIES

	RMB	RMB
	Assets	Liabilities
At 1 April 2017	-	-
Additions	93,424,615	1,028,584
Exchange realignment	(2,311,457)	(25,449)
At 31 December 2017	91,113,158	1,003,135
Additions	98,766,508	-
Releases upon lease expiry	(55,588,926)	-
Utilised during the year	(3,239,158)	
Exchange realignment	6,071,084	50,510
At 31 December 2018	137,122,666	1,053,645

Maintenance intangible asset or liabilities represented contractual rights to receive aircraft in a specified maintenance condition at the end of a lease that is different to the maintenance condition on the acquisition date. Maintenance intangibles arises only from the purchase of aircraft with an existing lease. Such intangible assets or liabilities are not amortised and the subsequent accounting treatment of maintenance intangible assets / liabilities upon lease expiry are set out in note 3.

15. INTEREST IN AN ASSOCIATE

	31 December 2018 RMB
Costs of investment in an associate	348,663,276
Share of post-acquisition profit and other comprehensive income	9,699,210
Exchange realignment	13,311,193
	371,673,679

As at 31 December 2018 and 2017, the Group had interest in the following material associate:

Name of entity	Form of entity	Country of incorporation/ registration	Place/ Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activity
					2018	2017	2018	2017	
Tianyun International Holdings Limited ("Tianyun") (Note)	Incorporated	British Virgin Islands	China	Ordinary	27%	N/A	27%	N/A	Investment holding

Note: On 27 September 2018, the Group acquired 27% equity interest in Tianyun for a cash consideration of approximately RMB348,663,276.

	31 December 2018 RMB
Fair value of listed investment:	
Tianyun International Holdings Limited	259,603,468

The fair values of the Group's interests in associates disclosed above are based on the quoted market price available on their respective stock exchange, which are level 1 input in terms of HKFRS 13.

15. INTEREST IN AN ASSOCIATES (Continued)

The summarised financial information in respect of each of the associates that is material to the Group and are accounted for using equity method is set out below:

Tianyun International Holdings Limited	31 December 2018 RMB
Current assets	670,270,000
Non-current assets	450,577,000
Current liabilities	(280,670,000)
Non-current liabilities	(43,085,000)

	Year ended 31 December 2018 RMB
Revenue	940,507,000
Profit and total comprehensive for the year	147,527,000
The Group's share of total comprehensive income	9,699,210

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

Tianyun International Holdings Limited	31 December 2018 RMB
Net assets of the associate	797,092,000
Proportion of the Group's ownership interest	27%
	215,214,840
Goodwill	143,147,646
Exchange realignment	13,311,193
Carrying amount of the Group's interest	371,673,679

16. TRADE AND OTHER RECEIVABLES

	2018 RMB	2017 RMB
Trade receivables	-	769,017
Other receivables and deposits	30,933,814	2,301,713
Prepayments	3,199,878	510,112
	34,133,692	2,811,825
Total trade and other receivables	34,133,692	3,580,842

No gross amount of trade receivable was arose from contracts with customers as at 31 December 2018 and 1 January 2018.

The Group allows credit period of 30 to 90 days to its trade customers. The Group does not hold any collateral over its trade receivables. The following is an aged analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2018 RMB	2017 RMB
Within 30 days	-	769,017

None of the trade receivables balances as at 31 December 2017 were past due.

During the year ended 31 December 2018, in determining the expected credit losses for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties as well as the future prospects of the industries in which the lenders operate obtained from economic expert reports considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. Based on the estimates by the directors of the Company, the provision rates are close to zero for the Group's trade receivables.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade receivables.

17. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY / A NON-CONTROLLING INTEREST / TO A RELATED COMPANY

The amounts are unsecured, interest free and repayable on demand.

18. OTHER FINANCIAL ASSETS

Other financial assets comprised of the following:

	As at 31 December 2018 RMB	As at 1 January 2018 RMB	As at 31 December 2017 RMB
Financial assets designated as FVTPL			
- Listed equity securities in the PRC	51,300,000	72,600,000	72,600,000
Financial assets at amortised cost			
- Investment in corporate wealth management products	107,171,493	-	-
	158,471,493	72,600,000	72,600,000

19. BANK BALANCES AND CASH AND BANK TERM DEPOSITS

Bank balances and cash and bank term deposits include the following for the purpose of the consolidated statement of cash flows:

	2018 RMB	2017 RMB
Cash at bank and on hand	90,607,205	442,161,738
Bank term deposits (less than 3 months)	41,179,200	166,580,806
Bank term deposits (over 3 months)	3,088,440,000	-
	3,129,619,200	166,580,806

As at 31 December 2018, the fixed interest rate on term deposits with initial terms of less than three months ranged 1.2% p.a. (2017: 1.7% p.a.) and term deposits with initial terms of more than three months ranged 3.4% to 3.92% p.a. (2017: nil). Cash at banks carries interest at prevailing market rate for both reporting periods.

As at 31 December 2018, there were RMB3,198,199,888 (2017: RMB381,392,444), RMB4,174,340 (2017: RMB2,506,062) and RMB995,118 (2017: nil) of the bank balances and cash and bank term deposits of the Group were denominated in USD, HK$ and Euro respectively which were currencies other than functional currencies of the Company and its subsidiaries.

20. OTHER PAYABLES

	31/12/2018 RMB	31/12/2017 RMB
Other tax payables	277,340	429,696
Other payables and accrued charges	72,057,315	43,650,033
Receipt in advance	16,215,182	6,881,532
	88,549,837	50,961,261

21. GUARANTEED BONDS

As at 31 December 2018, the Group had guaranteed bonds with aggregate principal of USD500,000,000 (equivalent to RMB3,431,600,000) (2017: nil) with the following major terms:

Issue price:	100% of the principal amount
Interest:	4.8 % per annum payable semi-annually in arrear
Maturity:	17 October 2021 (3 years from date of issuance)

The movements of the bonds are set out below:

	2018 RMB
New issue	3,308,700,000
Transaction cost	(6,617,446)
Net proceed from issue of bonds	3,302,082,554
Effective interest charge for the year	32,620,679
Interest paid	(32,198,637)
Exchange realignment	122,669,875
Carrying amount at the end of the period/ year	3,425,174,471
Less: Bonds repayable after one year shown under non-current liabilities	(3,425,174,471)
Current portion	-

The Company's bonds carried interest at effective interest rate of 4.87% per annum as at 31 December 2018 (2017: nil).

22. LONG TERM BORROWINGS

	Maturity date	Security	Effective interest rate (note i)	As at 31 December 2018 RMB	As at 31 December 2017 RMB
Fixed rate borrowings:					
Secured US$ bank loan of US$32,900,000	11/2/2026 (note ii)	note iii	3.96%	204,944,260	208,480,049
Secured US$ bank loan of US$33,300,000	12/6/2025 (note ii)	note iv	3.97%	209,216,374	213,996,243
Secured US$ bank loan of US$30,690,000	31/3/2025 (note ii)	note v	3.95%	189,797,342	196,641,954
Secured US$ bank loan of US$28,000,000	11/1/2024 (note ii)	note vi	4.20%	174,925,524	182,957,600
Secured US$ bank loan of US$31,390,000	8/12/2026 (note ii)	note vii	4.71%	204,858,209	-
Secured US$ bank loan of US$30,290,000	10/12/2029 (note ii)	note viii	4.73%	198,900,135	-
Secured US$ bank loan of US$26,950,000	8/3/2028 (note ii)	note ix	4.76%	176,342,090	-
Secured US$ bank loan of US$37,300,000	12/7/2024 (note ii)	note x	4.81%	166,500,465	-
Secured US$ bank loan of US$25,000,000	16/5/2029 (note ii)	note xi	4.90%	249,193,644	-
Secured US$ bank loan of US$30,800,000	15/6/2029 (note ii)	note xii	4.26%	211,386,560	-
Secured US$ bank loan of US$30,800,000	15/6/2029 (note ii)	note xiii	4.26%	211,386,560	-
				2,197,451,163	802,075,846

22. LONG TERM BORROWINGS (Continued)

	Maturity date	Security	Effective interest rate (note i)	As at 31 December 2018 RMB	As at 31 December 2017 RMB
Variable rate borrowings:					
Secured US$ bank loan of US$24,000,000	3/11/2021 (note ii)	note xiv	4.17%	157,742,400	-
Total borrowings				2,355,193,563	802,075,846
Less: Capitalised borrowing cost				(43,176,467)	(8,997,005)
				2,312,017,096	793,078,841

Notes:

i. Also equal to contracted interest rates
ii. Repayable in quarterly installments
iii. Secured by an aircraft with a carrying value of RMB294,176,279 as at 31 December 2018 classified under plant and equipment
iv. Secured by an aircraft with a carrying value of RMB287,140,539 as at 31 December 2018 classified under plant and equipment
v. Secured by an aircraft with a carrying value of RMB268,303,434 as at 31 December 2018 classified under plant and equipment
vi. Secured by an aircraft with a carrying value of RMB223,422,682 as at 31 December 2018 classified under plant and equipment
vii. Secured by an aircraft with a carrying value of RMB284,744,607 as at 31 December 2018 classified under plant and equipment
viii. Secured by an aircraft with a carrying value of RMB318,877,812 as at 31 December 2018 classified under plant and equipment
ix. Secured by an aircraft with a carrying value of RMB273,316,366 as at 31 December 2018 classified under plant and equipment
x. Secured by an aircraft with a carrying value of RMB320,726,355 as at 31 December 2018 classified under plant and equipment
xi. Secured by an aircraft with a carrying value of RMB275,476,414 as at 31 December 2018 classified under plant and equipment
xii. Secured by an aircraft with a carrying value of RMB297,701,602 as at 31 December 2018 classified under plant and equipment
xiii. Secured by an aircraft with a carrying value of RMB296,434,223 as at 31 December 2018 classified under plant and equipment
xiv. Secured by an aircraft with a carrying value of RMB257,029,608 as at 31 December 2018 classified under plant and equipment

22. LONG TERM BORROWINGS (Continued)

Carrying amount repayable (based on schedule repayment dates set out in the loan agreements):

	2018 RMB	2017 RMB
Within one year	174,349,706	59,894,824
After one year but within five years	848,282,165	265,275,923
After five years	1,289,385,225	467,908,094
	2,312,017,096	793,078,841

	2018 RMB	2017 RMB
Amounts shown under current liabilities	174,349,706	59,894,824
Amounts shown under non-current liabilities	2,137,667,390	733,184,017
	2,312,017,096	793,078,841

23. DEFERRED TAX ASSETS (LIABILITIES)

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2018 RMB	2017 RMB
Deferred tax assets	1,255,533	-
Deferred tax liabilities	(4,500,310)	(341,438)
	(3,244,777)	(341,438)

23. DEFERRED TAX ASSETS (LIABILITIES) (Continued)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the year / period:

	Tax loss	Accelerated tax depreciation	Total
	RMB	RMB	RMB
At 1 April 2017	-	-	-
Charged to profit or loss	4,263,302	(4,613,402)	(350,100)
Exchange realignment	(105,502)	114,164	8,662
At 31 December 2017	4,157,800	(4,499,238)	(341,438)
Charged to profit or loss	27,255,199	(30,037,981)	(2,782,782)
Exchange realignment	1,221,716	(1,342,273)	(120,557)
At 31 December 2018	32,634,715	(35,879,492)	(3,244,777)

As at 31 December 2018, the Group had unused tax losses of RMB363,317,837 (2017: RMB125,183,282) available to offset against future profits. A deferred tax asset has been recognised in respect of RMB261,095,893 (2017: RMB34,103,747) of such losses. No deferred tax had been recognised in respect of the remaining RMB102,221,944 (2017: RMB91,079,535) due to unpredictability of future profit stream. Included in unrecognised tax losses are losses of RMB90,159,389 that will expired in 2023. Other losses may be carried forward indefinitely.

24. MAINTENANCE RESERVES

	RMB
At 1 April 2017	-
Taken up on acquisition of aircrafts	12,753,440
Exchange realignment	(315,537)
At 31 December 2017	12,437,903
Repayment during the year	(2,865,136)
Exchange realignment	519,829
At 31 December 2018	10,092,596

25. SHARE CAPITAL

Issued and fully paid:

	Number of shares	RMB
At 1 April 2017	301,200,000	300,951,660
Issue of new shares (Note (a))	90,000,000	593,181,000
At 31 December 2017	391,200,000	894,132,660
Issue of new shares (Note (b))	90,000,000	598,415,400
At 31 December 2018	481,200,000	1,492,548,060

Notes:

(a) On 1 September 2017, 90,000,000 shares at a price of US$1 each were allotted by the Company to the immediate holding company for a total consideration of US$90,000,000 (equivalent to approximately RMB593,181,000).

(b) On 27 April 2018 and 14 August 2018, 36,000,000 shares and 54,000,000 share at a price of US$1 each were allotted respectively by the Company to the immediate holding company for a total consideration of US$90,000,000 (equivalent to approximately RMB598,415,400).

26. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company, which include the chief executive of the Company, were as follows:

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	RMB	RMB	RMB	RMB
Year ended 31 December 2018 -				
Executive Directors				
Xiong Huiran	-	283,860	52,100	335,960
Lu Chibin	-	-	-	-
Wang Lu	-	-	-	-
	-	283,860	52,100	335,960

26. DIRECTORS' EMOLUMENTS (Continued)

Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	RMB	RMB	RMB	RMB
Nine months ended 31 December 2017				
Executive Directors				
Xiong Huiran	-	147,090	65,805	212,895
Lu Chibin	-	-	-	-
Wang Lu	-	-	-	-
	-	147,090	65,805	212,895

27. RETIREMENT BENEFITS PLANS

As stipulated by the rules and regulations in Ireland, the Group contributes to the retirement funds scheme managed by local social security bureau in the corresponding jurisdiction. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the retirement benefits schemes to fund the benefits.

The only obligation of the Group with respect to the above schemes is to make the required contributions under the retirement fund schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years are set in notes 11 and 26 respectively.

28. OPERATING LEASES

The Group as lessor

Aircraft rental income earned during the year was RMB193,350,303 (nine months ended 31 December 2017: RMB31,192,351). The aircrafts are expected to generate rental yields of 5.69% on an ongoing basis. All of the aircrafts held have committed customers for the next 3 to 12 years.

At the end of the reporting period, the Group had contracted with customers for future minimum lease payments which fall due as follows:

	2018 RMB	2017 RMB
Within one year	302,270,405	99,908,402
In the second to fifth year, inclusive	1,150,378,444	399,633,609
Over five years	829,124,724	220,720,733
	2,281,773,573	720,262,744

The Group as lessee

	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
Minimum lease payments paid under operating leases during the year / period:		
Premises	5,255,554	2,160,929

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB	2017 RMB
Within one year	-	2,160,929

The Group leases certain of its office premises under operating lease arrangements. Leases are negotiated for a term ranging one year with fixed rentals as at 31 December 2018 and 2017.

29. COMMITMENTS

	2018 RMB	2017 RMB
Capital expenditure in respect of acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	344,875,800	-

30. RELATED PARTY TRANSACTIONS

Sichuan Development, the immediate holding company of the Company, is owned and controlled by the State-Owned Assets Supervision and Administration Commission of Sichuan Province, which also controls a significant portion of the productive assets and entities in the Sichuan Province (collectively referred as the "state-owned enterprises").

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into between the Group and its related parties, including Sichuan Development and its subsidiaries (the "Sichuan Development Group") but excluding other state-owned enterprises not under the Sichuan Development Group, during the year ended 31 December 2018 and nine months ended 31 December 2017 and balances as at 31 December 2018 and 2017 with related parties transactions.

During the year / period, the Group has the following related party transactions which are carried out in the normal course of the Group's business:

Name of related companies	Nature of related party relationship	Nature of transaction	Year ended 31 December 2018 RMB	Nine months ended 31 December 2017 RMB
成都国泰弘盛商业管理有限公司	Related company	Rental expense	280,656	-
四川弘展联行物业服务有限公司	Fellow subsidiary	Building management fee	26,932	-
四川三新創業投資有限責任公司	Fellow subsidiary	Interest income	-	10,547,432
四川省川瑞發展投資有限公司	Fellow subsidiary	Interest income	-	3,922,829
Sichuan Development Holding Company Limited	Immediate holding company	Interest expense (Note)	-	10,863,014

Note:
Interest expense arised from a loan amounting to RMB400,000,000 from the immediate holding company obtained during the nine months ended 31 December 2017 with an interest rate of 6.5% per annum repayable in a year which was early repaid by the Group during the same period.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place/Country of incorporation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion ownership interest held by the company		Proportion of voting power held by the Company		Principal activities
				2018 Direct/ Indirect	2017 Direct/ Indirect	2018	2017	
Yieldking Investment Limited	BVI	Ordinary	US$1/US$1 (2017: US$1/US$1)	100%/ -	100%/ -	100%	100%	Financing services
四川怡展實業有限公司	PRC	Ordinary	RMB353million/ RMB353million (2017: RMB353million/ RMB353million)	99.49%/ -	99.49%/ -	99.49%	99.49%	Financing services
SDH Wings International Leasing Limited	Ireland	Ordinary	US$200/ US$200 million (2017: US$100/ US$100 million)	90%/ -	90%/ -	90%	90%	Investment holding
SDH Wings Leasing 1 Limited	Ireland	Ordinary	US$100/ US$20 million (2017: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 2 Limited	Ireland	Ordinary	US$100/ US$20 million (2017: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 3 Limited	Ireland	Ordinary	US$100/ US$20 million (2017: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 4 Limited	Ireland	Ordinary	US$100/ US$20 million (2017: US$100/ US$20 million)	- /90%	- /90%	90%	90%	Aircraft chartering
SDH Wings Leasing 5 Limited	Ireland	Ordinary	US$100/ US$20 million (2017: nil/nil)	- /90%	N/A*	90%	N/A*	Aircraft chartering

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place/Country of incorporation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion ownership interest held by the company		Proportion of voting power held by the Company		Principal activities
				2018 Direct/ Indirect	2017 Direct/ Indirect	2018	2017	
國翔（成都）企業管理服務有限公司	PRC	Ordinary	RMB8million/ RMB30million (2017: RMB8million/ RMB30million)	-/90%	-/90%	90%	90%	Aircraft chartering
國翔展通（天津）飛機租賃有限公司	PRC	Ordinary	US$ Nil/ US$80 million (2017: US$ Nil/ US$80 million)	-/90%	-/90%	90%	90%	Aircraft chartering
國翔展通一（天津）租賃有限公司	PRC	Ordinary	RMB Nil/ RMB0.1million (2017: RMB Nil/ RMB0.1million)	-/90%	-/90%	90%	90%	Aircraft chartering

* The subsidiary incorporated on 28 November 2018

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2018 RMB	2017 RMB
Non-current asset			
Investment in subsidiaries	31	1,486,692,176	806,764,146
Interest in an associate		371,673,679	-
		1,858,365,855	806,764,146
Current assets			
Other receivables		23,063,377	-
Amount due from a subsidiary		13,440,529	7,940,174
Bank balances and cash		15,903,517	194,689,039
Bank term deposits		3,129,619,200	-
		3,182,026,623	202,629,213
Current liabilities			
Interest payables		33,065,581	-
Other payables		39,286,255	4,635,863
Dividend payable		-	11,482,200
Loan from a subsidiary		-	110,000,000
		72,351,836	126,118,063
Net current assets		3,109,674,787	76,511,150
Total assets less current liabilities		4,968,040,642	883,275,296
Non-current liabilities			
Loan from a subsidiary		3,431,600,000	-
Net assets		1,536,440,642	883,275,296

The amounts due from a subsidiary are unsecured, interest free and with no fixed repayment terms.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	Note	2018 RMB	2017 RMB
Capital and reserves			
Share capital		1,492,548,060	894,132,660
Reserves	(a)	43,892,582	(10,857,364)
		1,536,440,642	883,275,296

Approved and authorised for issue by the board of directors on 25 June 2019 and are signed on its behalf by:

Mr. Xiong Huiran, Director

Mr. Lu Chibin, Director

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) The movements in the reserves of the Company during the reporting period are:

	Exchange reserve	Retained profits	Total
	RMB	RMB	RMB
As at 1 April 2017	-	6,748,549	6,748,549
Loss and total comprehensive expense for the period	-	(17,605,913)	(17,605,913)
As at 31 December 2017	-	(10,857,364)	(10,857,364)
Loss and total comprehensive expense for the year	63,423,738	(8,673,792)	54,749,946
As at 31 December 2018	63,423,738	(19,531,156)	43,892,582

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1/1/2018	Financing cash flows	Finance cost	Foreign exchange movement	31/12/2018
	RMB	RMB	RMB	RMB	RMB
Long term loan payables	793,078,841	1,353,834,883	72,202,054	92,901,318	2,312,017,096
Guaranteed bonds	-	3,269,883,917	32,620,679	122,669,875	3,425,174,471
Dividend payable	11,482,201	(11,628,404)	-	146,203	-
Interest payable	2,149,432	31,360,376	3,878,625	1,417,160	38,805,593
	806,710,474	4,643,450,772	108,701,358	217,134,556	5,775,997,160

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

			Non-cash changes		
	1/4/2017	Financing cash flows	Finance cost	Foreign exchange movement	31/12/2017
	RMB	RMB	RMB	RMB	RMB
Dividend payable	11,529,253	(47,052)	-	-	11,482,201
Long term loan payables	-	812,801,001	397,476	(20,119,636)	793,078,841
Amount due to immediate holding company	-	(10,863,014)	10,863,014	-	-
Guaranteed bonds	999,310,233	(1,017,565,342)	18,255,109	-	-
Interest payable	8,537,658	(17,485,168)	11,151,471	(54,529)	2,149,432
	1,019,377,144	(233,159,575)	40,667,070	(20,174,165)	806,710,474

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